

TELECOM ARGENTINA SA  
Form 20-F  
April 20, 2018  
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As filed with the Securities and Exchange Commission on April 20, 2018

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

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**FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from                      to**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . . .

For the transition period from to

Commission file number: 1-13464

**TELECOM ARGENTINA S.A.**

(Exact name of Registrant as Specified in its charter)

**Republic of Argentina**

(Jurisdiction of incorporation or organization)

**Alicia Moreau de Justo 50**

**(C1107AAB) - Buenos Aires**

**Argentina**

(Address of Principal Executive Offices)

**Gabriel Blasi**

**(Tel: 54-11- 4968-4019, Fax: 54-11-4313-9801, E-mail: GBlasi@teco.com.ar,**

**Alicia Moreau de Justo 50, 10th Floor, (C1107AAB), Buenos Aires, Argentina)**  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
<b>American Depositary Shares, representing Class B Ordinary Shares Class B Ordinary Shares, nominal value P\$1.00 per share</b>	<b>New York Stock Exchange New York Stock Exchange*</b>

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\* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Class A Ordinary Shares, nominal value P\$1.00 each	340,994,852
Class B Ordinary Shares, nominal value P\$1.00 each	627,930,005
Class C Ordinary Shares, nominal value P\$1.00 each	234,748

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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**PRESENTATION OF FINANCIAL INFORMATION**

Telecom Argentina S.A. is a company incorporated under the laws of Argentina. As used in this Annual Report on Form 20-F (the "Form 20-F" or "Annual Report"), the terms "the Company," "Telecom," "Telecom Group," "we," "us," and "our" refer to Telecom Argentina S.A. and its consolidated subsidiaries as of December 31, 2017. Unless otherwise stated, references to the financial results of "Telecom" are to the consolidated financial results of Telecom Argentina and its consolidated subsidiaries. The Telecom Group is engaged in the provision of fixed and mobile telecommunications services.

The term "Telecom Argentina" refers to Telecom Argentina S.A. excluding its subsidiaries, as of December 31, 2017, Núcleo S.A., Personal Envíos S.A. ("Envíos"), Tuves Paraguay S.A., Telecom Argentina USA Inc. ("Telecom Argentina USA") and Micro Sistemas S.A. ("Micro Sistemas"). Telecom Argentina is engaged in the provision of fixed telecommunication services in Argentina. The terms "Telecom Personal" or "Personal" refer to Telecom Personal S.A., our subsidiary until November 30, 2017 and then absorbed by Telecom Argentina (See Item 4 "Information on the Company - Recent Developments - The Reorganization"), which was engaged in the provision of mobile telecommunication services in Argentina. The term "Núcleo" refers to Núcleo S.A., a subsidiary engaged in the provision of mobile telecommunication services in Paraguay. Envíos is Núcleo's subsidiary engaged in the provision of mobile financial services in Paraguay and Tuves Paraguay, is Núcleo's subsidiary whose main purpose is the provision of telecommunications services and also the distribution of digital audio and television signals to homes in Paraguay, in accordance with the license granted by CONATEL. Telecom Argentina USA Inc. is our subsidiary engaged in the provision of telecommunication services in USA and Micro Sistemas is a Telecom Argentina subsidiary whose corporate purpose is the provision of electronic payment services in Argentina which had no activities since 2001.

Our Consolidated Financial Statements as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, and the notes thereto (the "Consolidated Financial Statements") are set forth on pages F-1 through F-115 of this Annual Report.

Our Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been approved by resolution of the Board of Directors' meeting held on March 7, 2018 and have been audited by an independent registered public accounting firm.

Telecom Argentina and Micro Sistemas maintain their accounting records and prepare their financial statements in Argentine Pesos, which is their functional currency. Our subsidiaries Núcleo, Envíos, Tuves Paraguay and Telecom Argentina USA, however, maintain their accounting records and prepare their financial statements in Guaraníes (Núcleo, Envíos and Tuves Paraguay) and in U.S. dollars (Telecom Argentina USA), respectively. Our Consolidated Financial Statements include the results of these subsidiaries translated into Argentine Pesos. Assets and liabilities are translated at year-end exchange rates and revenue and expense accounts at average exchange rates for each year presented.

Certain financial information contained in this Annual Report has been presented in U.S. dollars. This Annual Report contains translations of various Argentine Peso amounts into U.S. dollars at specified rates solely for convenience of the reader. You should not construe these translations as representations by us that the Argentine Peso amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Except as otherwise specified, all references to "US\$", "U.S. dollars" or "dollars" are to United States dollars, references to "EUR," "euro" or "euros" are to the lawful currency of the member states of the European Union and references to "Argentine Pesos" or "pesos" are to Argentine Pesos. Unless otherwise indicated, we have translated the Argentine Peso amounts using a rate of P\$18.65 = US\$1.00, the U.S. dollar ask rate published by the Banco de la Nación Argentina (Argentine National Bank) on December 31, 2017. On April 17, 2018, the exchange rate was P\$20.18 = US\$1.00. As

a result of fluctuations in the Argentine peso/U.S. dollar exchange rate, the exchange rate at such date may not be indicative of current or future exchange rates. Consequently, these translations should not be construed as a representation that the peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See Item 3 Key Information Exchange Rates , and Item 3 Key Information Risk Factors Risks Relating to Argentina Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad.

PRESENTATION OF FINANCIAL INFORMATION

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For the purposes of this Annual Report, billion means a thousand million.

Certain amounts and ratios contained in this Annual Report (including percentage amounts) have been rounded up or down to facilitate the summation of the tables in which they are presented. The effect of this rounding is not material. These rounded amounts are also included within the text of this Annual Report.

The contents of our website and other websites referred to herein are not part of this Annual Report.

This Annual Report contains certain terms that may be unfamiliar to some readers. You can find a Glossary of these terms on page 5 of this Annual Report.

Telecom's Consolidated Financial Statements and the selected financial data incorporated in this Annual Report have been prepared on a consolidated basis using Telecom's historical accounting records and represent our historical operations prior to the Merger. As a result, Telecom's historical financial data incorporated in this Annual Report may not be indicative of the future operating results, cash flows or financial position of Telecom upon consummation of the Merger on January 1, 2018. For more information, see note 32 to our Consolidated Financial Statements and Item 3 Key Information Risk Factors Risks Relating to Telecom and its Operations Telecom's Consolidated Financial Statements and the selected financial data included in this Annual Report may not be indicative of, and may differ materially from, our future results of operations after the Merger.

PRESENTATION OF FINANCIAL INFORMATION

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**FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Certain information included in this Annual Report contains information that is forward-looking, including, but not limited to:

- our expectations for our future performance, revenues, income, earnings per share, capital expenditures, dividends, liquidity and capital structure;
- the synergies expected from the Merger;
- the implementation of our business strategy;
- the changing dynamics and growth in the telecommunications and cable markets in Argentina, Paraguay and Uruguay;
- our outlook for new and enhanced technologies;
- the effects of operating in a competitive environment;
- industry conditions;
- the outcome of certain legal proceedings;
- regulatory and legal developments; and
- other factors identified or discussed under Item 3 Key Information Risk Factors.

This Annual Report contains certain forward-looking statements and information relating to the Telecom Group that are based on current expectations, estimates and projections of our Management and information currently available to the Telecom Group. These statements include, but are not limited to, statements made in Item 3 Key Information Risk Factors, Item 5 Operating and Financial Review and Prospects under the captions Critical Accounting Policies and Trend Information, Item 8 Financial Information Legal Proceedings and other statements about the Telecom Group's strategies, plans, objectives, expectations, intentions, capital expenditures, and assumptions and other statements contained in this Annual Report that are not historical facts. When used in this document, the words anticipate, believe, estimate, expect, intend, plan, will, may and should and other similar expressions are generally intended to identify forward-looking statements.

These statements reflect the current views of the management of the Company with respect to future events. They are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. In addition, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Many factors could cause actual results, performance or achievements of the Telecom Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, among others:

- our ability to successfully implement the Merger and any conditions that may be imposed by the ENACOM and the Antitrust Authority (See Item 4 Information on the Company The Merger );
- our ability to successfully implement our business strategy and to achieve synergies resulting from the Merger;
- our ability to introduce new products and services that enable business growth;
- uncertainties relating to political and economic conditions in Argentina, Paraguay and Uruguay;

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- inflation, the devaluation of the peso, the Guaraní and the Uruguayan peso and exchange rate risks in Argentina, Paraguay and Uruguay;
- restrictions on the ability to exchange pesos into foreign currencies and transfer funds abroad;
- the manner in which the Argentine government regulates Law No. 27,078, the Argentina Digital Law or LAD, as amended by Decree No. 267/15, as well as the impact of the new Telecommunications Law, which has been announced, but has not yet been submitted to Congress;
- the creditworthiness of our actual or potential customers;
- nationalization, expropriation and/or increased government intervention in companies;
- technological changes;
- the impact of legal or regulatory matters, changes in the interpretation of current or future regulations or reform and changes in the legal or regulatory environment in which we operate;
- the effects of increased competition; and
- challenges in integrating the business and operations of the Absorbed Companies, which integration may take longer and be more costly than anticipated and may have unanticipated adverse results relating to the business and operations as existing prior to the Reorganization.

Many of these factors are macroeconomic and regulatory in nature and therefore beyond the control of the Company's management. Should one or more of these risks or uncertainties materialize, or underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected. The Company does not intend and does not assume any obligation to update the forward-looking statements contained in this Annual Report.

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These forward-looking statements are based upon a number of assumptions and other important factors that could cause our actual results, performance or achievements to differ materially from our future results, performance or achievements expressed or implied by such forward-looking statements. Readers are encouraged to consult the Company's filings made on Form 6-K, which are periodically filed with or furnished to the United States Securities and Exchange Commission.

FORWARD-LOOKING STATEMENTS

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**GLOSSARY OF TERMS**

The following explanations are not provided as or intended to be technical definitions, but only to assist the general reader to understand certain terms used in this Annual Report.

*2G (second-generation mobile system):* Second-generation protocols using digital encoding and includes GSM, D-AMPS (TDMA) and CDMA. These protocols support high bit rate voice and limited data communications.

*3G (third-generation mobile system):* Third-generation mobile service, designed to provide high speed data, always-on data access, and greater voice capacity. 3G networks allow the transfer of both voice data services (telephony, messaging) and non-voice data (such as downloading Internet information, exchanging email, and instant messaging). The high data speeds, measured in Mbps, are significantly higher than 2G, and 3G networks technology enable full motion video, high-speed Internet access and video-conferencing. 3G technology standards include UMTS, based on WCDMA technology (quite often the two terms are used interchangeably), and CDMA2000.

*4G (fourth-generation mobile system):* Fourth-generation mobile service using the LTE technology (Long Term Evolution technology).

*Absorbed Companies:* Sofora, Nortel and Telecom Personal, companies absorbed by Telecom Argentina after the Reorganization.

*Access (or Accesses):* Connection provided by Telecom Argentina to Internet services.

*ADS:* American Depositary Shares issued by JP Morgan, listed on the New York Stock Exchange, each representing rights to five (5) Class B Shares under a Deposit Agreement.

*ADSL (Asymmetric Digital Subscriber Line):* A type of digital subscriber line technology (DSL); a data communications technology that enables faster data transmission over copper lines than a conventional voiceband modem can provide.

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

*AFJP (Administradoras de Fondos de Jubilaciones y Pensiones)*: Private entities that were in charge of managing the funds of the Private Pension and Retirement System established by Law No. 24,241, until its nationalization in November 2008 pursuant to Law No. 26,425.

*AFTIC (Autoridad Federal de Tecnologías de la Información y de las Comunicaciones)*: The decentralized and autonomous agency in the scope of the PEN appointed as the Regulatory Authority in the LAD. AFTIC was replaced by the ENACOM.

*AMBA (Area Metropolitana Buenos Aires)*: An area comprising the Autonomous city of Buenos Aires and the greater Buenos Aires area. Telephone calls within the area are considered local.

*Analog*: A mode of transmission or switching that is not digital, e.g., the representation of voice, video or other not in digital form.

*ANSES*: The Argentine administrator of social security pension and retirement benefits.

*ANSES FGS*: The Fondo de Garantía y Sustentabilidad *del Sistema Integrado Previsional Argentino* managed by ANSES.

*Antitrust Authority*: The Argentine enforcing authority of the antitrust statutes comprising Argentine Law 25,156, as amended, modified or supplemented from time to time, and its related decrees, resolutions and statutes, which currently is the Argentine *Secretaría de Comercio Interior* with the technical assistance of the CNDC.

*Argentina*: Republic of Argentina.

*Argentine GAAP*: Generally Accepted Accounting Principles in Argentina, which we used before the adoption of IFRS.

*ARBU (Average Revenue Billed per User)*: Calculated by dividing total monthly basic charges and traffic revenue excluding public telephony revenue by weighted-average number of fixed lines in service during the period.



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*ARPU (Average Revenue per User):* Calculated by dividing total revenue excluding mainly handset, out collect (wholesale) roaming, cell site rental and activation fee revenue by weighted-average number of subscribers during the period.

*ARSAT (Empresa Argentina de Soluciones Satelitales Sociedad Anónima):* a state-owned company which offers satellite and wholesale services.

*Auction Terms and Conditions:* Terms and Conditions approved by SC Resolution No. 38/14 for the awarding of frequency bands.

*Backbone:* Main connection network (mainly by fiber optics) that connect local areas.

*BADLAR:* Buenos Aires Deposits of Large Amount Rate.

*Basic Telephone Services:* The supply of fixed telecommunications links that form part of the public telephone network, or are connected to such network, and the provision of local and long-distance telephone service (domestic and international).

*BCBA (Bolsa de Comercio de Buenos Aires):* The Buenos Aires Stock Exchange, currently known as the *BYMA (Bolsas y Mercados Argentinos)*.

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

*Broadband:* Services characterized by a transmission speed of 2 Mbps or more. These services include interactive services such as video telephone/video conferencing (both point-to-point and multipoint); video monitoring; interconnection of local networks; file transfer; high-speed fax; e-mail for moving images or mixed documents; Broadband videotext; video on demand and retrieval of sound programs or fixed and moving images.

*Broadcasting:* Simultaneous transmission of information to all Nodes and terminal equipment of a network.



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*BYMA (Bolsas y Mercados Argentinos S.A.):* The stock market formed by a spin-off of certain assets of the Merval relating to its stock market operations and capital contributions on the Buenos Aires Stock Exchange. Effective April 17, 2017, the listing of all securities listed on Merval were automatically transferred to BYMA, as successor of Merval's activities.

*Cablevisión:* Cablevisión S.A.

*Carrier:* Company that makes available the physical telecommunication network.

*CDMA (Code Division Multiple Accesses):* A digital wireless technology used in radio communication for transmission between a mobile handset and a radio base station. It enables the simultaneous transmission and reception of several messages, each of which has a coded identity to distinguish it from the other messages.

*Cell:* Geographical portion of the territory covered by a base transceiver station.

*Cellular:* A technique used in mobile radio technology to use the same spectrum of frequencies in one network multiple times. Low power radio transmitters are used to cover a Cell (i.e., a limited area) so that the frequencies in use can be reused without interference for other parts of the network.

*CEO:* Chief Executive Officer.

*CFO:* Chief Financial Officer.

*Channel:* The portion of a communications system that connects a source to one or more destinations. Also called circuit, line, link or path.

*CNC (Comisión Nacional de Comunicaciones):* The Argentine National Communications Commission, which was replaced by the AFTIC, which was replaced by the ENACOM (in December 2015).

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

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

*CONATEL:* National Communications Commission of Paraguay.

*Convergence Products:* The purpose of the Merger is to enable Telecom to efficiently offer, in line with the trend both at a national and international level, technological convergence products between media and telecommunications services, in a separate or independent basis, to provide voice, data, sound and image services, both fixed and wireless, in a single product or groups of products for the benefit of consumers of such multiple individual services.

GLOSSARY OF TERMS

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*COO*: Chief Operating Officer.

*COSO*: Committee of Sponsoring Organizations of the Treadway Commission.

*CPP (Calling Party Pays)*: The system whereby the party placing a call to a mobile handset rather than the mobile subscriber pays for the air time charges for the call.

*CVH*: Cablevisión Holding S.A.

*D-AMPS (Digital-Advanced Mobile Phone Service)*: It is a digital version of AMPS (Advanced Mobile Phone Service), the original Analog standard for mobile telephone service in the United States.

*Decree No. 267/15*: Decree that modifies some aspects of the LAD and Audiovisual Communication Services Law published in the Official Gazette on January 4, 2016. This Decree was subsequently amended by Decree No. 1,340/16 issued by PEN and published in the Official Gazette on January 2, 2017.

*Digital*: A mode of representing a physical variable such as speech using digits 0 and 1 only. The digits are transmitted in binary form as a series of pulses. Digital networks are rapidly replacing the older Analog ones. Digital networks allow for higher capacity and higher flexibility through the use of computer-related technology for the transmission and manipulation of telephone calls. Digital systems offer lower noise interference and can incorporate encryption as a protection from external interference.

*DWDM (Dense Wavelength Division Multiplexing)*: Technology for multiplying and transmitting different wavelengths along a single optical fiber contemporaneously.

*ENACOM (Ente Nacional de Comunicaciones)*: Argentine Communications Body within the scope of the *Ministerio de Modernización*, acting as Regulatory Authority as of the date of this Annual Report. ENACOM absorbed the functions of AFTIC.

*ENTel (Empresa Nacional de Telecomunicaciones)*: National Telecommunications Company which operated the telecommunications system in Argentina prior to the Transfer Date.

*Envíos*: Personal Envíos S.A.

*Fiber Optic*: Thin glass, silica or plastic wires, building the infrastructure base for data transmission. A Fiber Optic cable contains several individual fibers, and each of them is capable of driving a signal (light impulse) at unlimited bandwidth. Fiber Optics are usually employed for long-distance communication: it can transfer heavy data loads, and the signal reaches the recipient, protected from possible disturbances along the way. The driving capacity of Fiber Optics is higher than the traditional copper cable ones.

*Fintech*: Fintech Telecom LLC.

*FTT (Fiber to the )*: It is the term used to indicate any network architecture that uses fiber optic cables in partial or total substitution of traditional copper cables used in telecommunications access networks. The various technological solutions differ in the point of the distribution network where the fiber connection is made, with respect to the end-user's location.

*FTTC (Fiber to the Curb or Fiber to the Cabinet)*: In the case of FTTC the fiber connection reaches the equipment (distribution cabinet) located on the pavement, from where copper connections are run to the customer.

*FTTH (Fiber to the Home)*: In the case of FTTH the fiber connection terminates inside the customer premises.

*GCL*: General Corporations Law.

*GDP*: Gross Domestic Product.

*GPON*: Gigabit-capable Passive Optical Network. A flexible optical fiber access network capable of supporting the bandwidth requirements of business and residential services. GPON systems are characterized, in general, by an optical line termination ( OLT ) system and an optical network unit (ONU) or optical network termination ( ONT ) with a passive optical distribution network interconnecting them. There is, in general, a one-to-many relationship between the OLT and the ONU/ONTs, respectively.



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*GPRS (General Packet Radio Service):* An enhanced second-generation mobile technology used to transmit data over mobile networks. GPRS transmits and receives packets of data in bursts instead of using continuous open radio channels, and it is used to add faster data transmission speed to GSM networks. GPRS is packet-based rather than circuit-based technology.

*GSM (Global System for Mobile Communications):* A standard for digital mobile technology used worldwide, which works on 900 MHz and 1,800 MHz band.

*IASB:* International Accounting Standards Board.

*ICT (Information and Communication Technology):* Broad area concerned with information technology, telecommunications networking and services and other aspects of managing and processing information, especially in large organizations.

*ICT services (Information and Communication Technology services):* Services to transport and distribute signals or data, such as voice, text, video and images, provided or requested by third-party users, through telecommunications networks. Each service is subject to its specific regulatory framework.

*IFC:* International Finance Corporation

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

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

*INDEC (Instituto Nacional de Estadísticas y Censos):* The Argentine National Statistics and Census Institute.

*IP (Internet Protocol):* A set of communications protocols for exchanging data over the Internet.

*ISP (Internet Service Provider):* A vendor who provides access to the Internet and World Wide Web.

*IT*: Information Technology.

*LAD (Ley Argentina Digital)*: Law No. 27,078, Argentina's Digital Law.

*Law No. 25,561 (Ley de Emergencia Económica y Reforma del Régimen Cambiario)*: See Public Emergency Law.

*Law No. 26,831 (Ley de Mercado de Capitales)*: Argentine Capital Markets Law.

*List of Conditions*: The Privatization Regulations, including the *Pliego de Bases y Condiciones*, was approved by Decree No. 62/90, as amended. Pursuant to the List of Conditions, Telecom Argentina was required to comply with rate regulations and meet certain minimum annual standards regarding the expansion of its telephone system and improvements in the quality of its service to maintain and extend the exclusivity of its non-expiring license to provide fixed-line public telecommunications services and Basic Telephone Services in the Northern Region of Argentina. After the market was opened to competition, the outstanding obligations that continue in force were the rate regulations and those related to the quality of service; the obligations related to the expansion of the network are no longer required.

*Merger*: Merger between Telecom Argentina and Cablevisión, effective as of January 1, 2018.

*MERVAL (Mercado de Valores de Buenos Aires S.A.)*: Securities Market of Buenos Aires S.A. On April 17, 2017, BYMA, a stock market authorized by CNV who succeeded to the MERVAL, started the automatic transfer of all the species listed in the MERVAL to BYMA. BYMA was created as a result of the spin-off (*escisión*) of some of the assets of the MERVAL and the capital contribution by the BCBA of its participation in Caja de Valores S.A., the clearing house for securities traded in that market.

*Micro Sistemas*: Micro Sistemas S.A.

*M2M*: Machine to Machine, information exchange between two remote machines.





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*MMS (Mobile Multimedia Services):* Represent an evolution of the SMS and the Enhanced Messaging Service ( EMS ) using various mono-medial elements (text, design, photos, video-clips and audio), which are synchronized and combined allowing them to be packed together and sent to GSM-GPRS platforms.

*Mobile service:* A mobile telephone service provided by means of a network of interconnected low-powered base stations, each of which covers one small geographic cell within the total cellular system service area.

*Modem:* Modulator/Demodulator. A device that modulates digital data to allow their transmission on Analog channels, generally consisting of telephone lines.

*Multimedia:* A service involving two or more communications media (e.g., voice, video, text, etc.) and hybrid products created through their interaction.

*NDF (Non Deliverable Forward) Agreement:* A generic term for a set of derivatives that covers national currency transactions including foreign exchange forward swaps, cross currency swaps and coupon swaps in nonconvertible or highly restricted currencies. The common characteristics of these contracts are that they involve no exchange of principal, are fixed at a predetermined price and are typically settled in U.S. dollars (or sometimes in Euros) at the prevailing spot exchange rate taken from an agreed source, time, and future date.

*Network:* An interconnected collection of elements. In a telephone network, these consist of switches connected to each other and to customer equipment. The transmission equipment may be based on fiber optic or metallic cable or point-to-point radio connectors.

*Node:* Topological network junction, commonly a switching center or station.

*Nortel:* Nortel Inversora S.A., the direct parent company of Telecom Argentina S.A. until November 30, 2017, when it was absorbed by Telecom Argentina pursuant to the Reorganization.

*Northern Region:* the Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees, the Privatization Regulations provided for the division of the Argentine telecommunications network operated by ENTel into two regions, the northern region (the Northern Region ) and the southern region (the Southern Region ) of Argentina. Additionally, these two regions are set forth in Decree

No. 1,461/93, which ratified the Resolution No. 575/93 which approved the list of conditions for the public offer for the provision of mobile telecommunication services.

*OTT (Over the Top):* Over the Top applications or services are those services that bypass traditional network distribution approaches and run over, or on top of, internet networks. OTT refers, in general, to content from a third-party that is delivered to an end-user over the internet that is not provided directly by end-user Internet Service Provider.

*Outsourcing:* Hiring outsiders to perform various telecommunications services, which may include planning, construction, or hosting of a network or specific equipment belonging to a company.

*Packs:* Packages integrated by SMS and minutes that can be purchased or added to those plans that recharge credit.

*Participating Companies:* Sofora, Nortel, Telecom Argentina and Telecom Personal.

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

*PEN (Poder Ejecutivo Nacional):* The executive branch of the Argentine government.

*Penetration:* The measurement of the take-up of services. As of any date, the penetration is calculated by dividing the number of subscribers by the population to which the service is available and expressed as a percentage.

*Personal:* Telecom Personal S.A. Until November 30, 2017, Telecom Argentina owned 100% of Personal. Commencing December 1, 2017, pursuant to the Reorganization, mobile services provided by Personal have been provided by Telecom Argentina.

*Pesification:* Modification of the exchange rate by the Argentine government pursuant to the Public Emergency Law.



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*Platform:* The total input, including hardware, software, operating equipment and procedures, for producing (production platform) or managing (Management platform) a particular service (service platform).

*POPs of contents:* *Point Of Presence* , Netflix, Google or other Internet content providers traffic cache servers where Internet contents are stored locally.

*Presubscription of Long-Distance Service:* The selection by the customer of international and domestic long-distance telecommunications services from a long-distance telephone service operator.

*Price Cap:* Rate regulation mechanism applied to determine rate discounts based on a formula made up by the U.S. Consumer Price Index and an efficiency factor. The mentioned factor was established initially in the List of Conditions and afterwards in different regulations by the SC.

*Privatization Regulations:* The Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees.

*Public Emergency Law:* The Public Emergency and Foreign Exchange System Reform Law No. 25,561 adopted by the Argentine government on January 6, 2002, as amended by Law No. 25,790, Law No. 25,820, Law No. 25,972, Law No. 26,077, Law No. 26,204, Law No. 26,339, Law No. 26,456, Law No. 26,563, Law No. 26,729, Law No. 26,896 and Law No. 27,200, which was in effect until December 31, 2017. Among others, the Public Emergency Law granted the PEN the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market and to renegotiate public service agreements. The Public Emergency Law ceased to be effective on December 31, 2017.

*Pulse:* Unit on which the rate structure of the regulated fixed line services is based.

*Quadruple play:* Means the integration of fixed and mobile telecommunication services as well as pay television and Internet services.

*Regulatory Bodies:* Collectively or individually, the ENACOM, the AFTIC, the SC and the CNC.

*Reorganization:* Corporate reorganization pursuant to which Telecom Argentina absorbed Sofora, Nortel and Telecom Personal.

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

*Satellite:* Satellites are used, among other things, for links with countries that cannot be reached by cable to provide an alternative to cable and to form closed user networks.

*SBT (Servicio Básico Telefónico):* Basic Telephone Service.

*SC (Secretaría de Comunicaciones):* The Argentine Secretary of Communications, which was replaced by the AFTIC and subsequently by the ENACOM.

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

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

*SECTIC (Secretariado de Tecnologías de la Información y la Comunicación):* Secretariat of Information and Communication Technologies.

*Service Provider:* The party that provides end users and content providers with a range of services, including a proprietary, exclusive or third-party service center.

*SMS (Short Message Service):* Short text messages that can be received and sent through GSM-network connected mobile phones. The maximum text length is 160 alpha-numerical characters.

*Sofora:* Sofora Telecomunicaciones S.A., the indirect parent company of Telecom Argentina S.A. through its participation in Nortel until November 30, 2017, when it was absorbed by Telecom Argentina pursuant to the Reorganization.

*Southern Region: See Northern Region.*

*SRMC (Servicios de Radiocomunicaciones Móviles Celular): Cellular Mobile Radiocommunications Service.*

GLOSSARY OF TERMS

TELECOM ARGENTINA S.A.

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*STM (Servicio Telefónico Móvil):* Mobile Telephone Service.

*SU Fund:* Universal Service Fiduciary Fund.

*Switch:* These are used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

*TDMA (Time Division Multiple Accesses):* A technology for digital transmission of radio signals between, for example, a mobile handset and a radio base station. TDMA breaks signals into sequential pieces of defined length, places each piece into an information conduit at specific intervals and then reconstructs the pieces at the end of the conduit.

*Telecom Argentina USA:* Telecom Argentina USA, Inc.

*Telecom Italia:* Telecom Italia S.p.A.

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

*Telefónica:* Telefónica de Argentina S.A.

*Telintar:* Telecomunicaciones Internacionales de Argentina Telintar S.A.

*Terms and Conditions:* See *Auction Terms and Conditions*.

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

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*Transfer Date:* November 8, 1990, the date on which Telecom Argentina commenced operations upon the transfer from the Argentine government of the telecommunications system in the Northern Region of Argentina that was previously owned and operated by ENTel.

*Tuves Paraguay:* Tuves Paraguay S.A.

*UBB (Ultra Broad Band):* High speed Internet connection with download speed of 15MB or more.

*UMTS (Universal Mobile Telecommunications System):* Third-generation mobile communication standard.

*UNIREN (Unidad de Renegociación y Análisis de Contratos de Servicios Públicos):* Renegotiation and Analysis of Public Services Contracts Division.

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

*Value Added Services (VAS):* Services that provide a higher level of functionality than the basic transmission services offered by a telecommunications network such as video streaming, Personal Video, Nube Personal (Cloud services), M2M (Machine to Machine communication), social networks, Personal Messenger, content and entertainment (SMS subscriptions and content, games, music, etc.), MMS and voice mail.

*VDSL (Very High bit rate Digital Subscriber Line):* A superior technology for Internet access connections. VDSL is superior to ADSL, offering connections speed of over 10Mb.

*W de Argentina Inversiones:* W de Argentina Inversiones S.A. and WAI

*WAN (Wide Area Network):* A private network that covers a wide geographic area using public telecommunications services.

*Wi-Max (Worldwide Interoperability for Microwave Access):* A technology that allows mobile access to Broadband telecommunications networks. It is defined by the Wi-Max Forum, a global consortium formed by major companies in the field of fixed and mobile telecommunications, which has the purpose to develop, test and promote the interoperability of systems.





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**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**Selected Financial Data**

The selected consolidated income statement data for the years ended December 31, 2017, 2016 and 2015 and the selected consolidated financial position data as of December 31, 2017 and 2016 have been prepared in accordance with IFRS as issued by the IASB and have been derived from our Consolidated Financial Statements included elsewhere in this Annual Report. The selected consolidated income statement data for the years ended December 31, 2014 and 2013 and the selected consolidated financial position data as of December 31, 2015 and 2014 have been prepared in accordance with IFRS as issued by the IASB and have been derived from our consolidated financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 included in our Annual Report on Form 20-F for the year ended December 31, 2015, filed on April 28, 2016. The selected consolidated financial position data as of December 31, 2013 prepared in accordance with IFRS as issued by the IASB have been derived from our consolidated financial statements as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 included in our Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 24, 2015.

Our Consolidated Financial Statements and the financial information included elsewhere in this Annual Report have been prepared on historical basis in accordance with IFRS. However, due to the high level of inflation prevailing in Argentina in the last few years, the Company's Management analyzed the conditions established by IAS 29 paragraph 3 to consider an economy as hyperinflationary. Based on the analysis made as of December 31, 2017, the Company's Management considers that there was insufficient evidence to consider Argentina's economy as hyperinflationary under IAS 29. See Risk factors Risk Related to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins, Item 5 Operating and Financial Review and Prospects Economic and Political Developments in Argentina and Note 1.e) to the Consolidated Financial Statements.

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Telecom's Consolidated Financial Statements and the selected financial data incorporated in this Annual Report have been prepared on a consolidated basis using Telecom's historical accounting records and represent our historical operations prior to the Merger. As a result, Telecom's historical financial data incorporated in this Annual Report may not be indicative of the future operating results, cash flows or financial position of Telecom upon consummation of the Merger on January 1, 2018. For more information, see note 32 to our Consolidated Financial Statements and Item 3 Key Information Risk Factors Risks Relating to Telecom and its Operations Telecom's Consolidated Financial Statements and the selected financial data included in this Annual Report may not be indicative of, and may differ materially from, our future results of operations after the Merger.

You should read the information below in conjunction with our Consolidated Financial Statements and the notes thereto, as well as Presentation of Financial Information and Item 5 Operating and Financial Review and Prospects.

The following table presents our summary financial data for each of the years in the five-year period ended December 31, 2017.

PART I - ITEM 3 KEY INFORMATION SELECTED FINANCIAL DATA

TELECOM ARGENTINA S.A.

Table of Contents**CONSOLIDATED SELECTED INCOME STATEMENT AND FINANCIAL POSITION DATA**

	2017	2016	2015	2014	2013
	(P\$ million, except per share and per ADS data in P\$)				
<b>INCOME STATEMENT DATA</b>					
Total revenues and other income	65,319	53,323	40,540	33,388	27,350
Operating expenses (without depreciation and amortization)	(45,963)	(38,899)	(29,674)	(24,686)	(19,786)
Operating expenses - depreciation and amortization	(6,928)	(6,198)	(4,438)	(3,243)	(2,873)
Disposals and impairment of PP&E	(316)	(383)	(199)	(16)	(173)
<b>Operating income</b>	<b>12,112</b>	<b>7,843</b>	<b>6,229</b>	<b>5,443</b>	<b>4,518</b>
Other, net (1)	(486)	(2,244)	(1,102)	253	528
Income tax expense	(3,902)	(1,594)	(1,692)	(1,967)	(1,792)
<b>Net income</b>	<b>7,724</b>	<b>4,005</b>	<b>3,435</b>	<b>3,729</b>	<b>3,254</b>
Other Comprehensive Income, net of tax	403	263	257	243	133
<b>Total Comprehensive Income</b>	<b>8,127</b>	<b>4,268</b>	<b>3,692</b>	<b>3,972</b>	<b>3,387</b>
<i>Total Comprehensive Income attributable to Telecom Argentina</i>	<i>7,904</i>	<i>4,142</i>	<i>3,580</i>	<i>3,837</i>	<i>3,285</i>
<i>Total Comprehensive Income attributable to Non-controlling Interest</i>	<i>223</i>	<i>126</i>	<i>112</i>	<i>135</i>	<i>102</i>
Number of shares outstanding at year-end (in millions of shares) (2)	969	969	969	969	969
Net income per share (basic and diluted) (3)	7.87	4.10	3.51	3.79	3.27
Net income per ADS (4)	39.36	20.51	17.56	18.95	16.35
Dividends per share (5)	4.28	2.06	0.83	1.24	1.03
Dividends per ADS (6)	21.41	10.32	4.15	6.20	5.11
<b>FINANCIAL POSITION DATA</b>					
Current assets	18,238	15,562	11,492	6,393	9,751
PP&E and intangible assets	35,636	30,757	25,622	19,140	12,745
Other non-current assets	3,714	1,595	1,351	784	634
<b>Total assets</b>	<b>57,588</b>	<b>47,914</b>	<b>38,465</b>	<b>26,317</b>	<b>23,130</b>
Current liabilities	21,987	16,511	16,914	9,097	9,050
Non-current liabilities	11,722	11,525	3,941	2,451	2,029
<b>Total liabilities</b>	<b>33,709</b>	<b>28,036</b>	<b>20,855</b>	<b>11,548</b>	<b>11,079</b>
<b>Total equity</b>	<b>23,879</b>	<b>19,878</b>	<b>17,610</b>	<b>14,769</b>	<b>12,051</b>
<i>Equity attributable to Telecom Argentina</i>	<i>23,086</i>	<i>19,336</i>	<i>17,194</i>	<i>14,418</i>	<i>11,783</i>
<i>Equity attributable to Non-controlling Interest</i>	<i>793</i>	<i>542</i>	<i>416</i>	<i>351</i>	<i>268</i>
Total Capital Stock (7)	984	984	984	984	984

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

(2) Number of ordinary shares outstanding at year-end (excludes treasury shares).

(3) Calculated based on the weighted average number of ordinary shares outstanding during each period (969,159,605 ordinary shares for the years 2017, 2016, 2015 and 2014 and 978,939,079 ordinary shares for the year 2013).

(4) Calculated based on the equivalent in ADSs to the weighted average number of ordinary shares outstanding during each period (193,831,921 ADSs for the years 2017, 2016, 2015 and 2014, and 195,787,816 ADSs for the year 2013).

(5) Dividends per share translated into U.S. dollars amounts to US\$0.23; US\$0.14; US\$0.09; US\$0.15 and US\$0.16 as of December 31, 2017, 2016, 2015, 2014 and 2013, respectively. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom Argentina shareholders.

(6) Dividends per ADS translated into U.S. dollars amounts to US\$1.15; US\$0.70; US\$0.46; US\$0.75 and US\$0.79 as of December 31, 2017, 2016, 2015, 2014 and 2013, respectively. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of

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Argentina) prevailing as of the date when dividends were available to Telecom Argentina shareholders.

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

PART I - ITEM 3 KEY INFORMATION    SELECTED FINANCIAL DATA

TELECOM ARGENTINA S.A.

Table of Contents**OTHER SELECTED DATA**

	2017	2016	2015	2014	2013
Number of fixed lines in service (thousands)(1)	3,795	3,920	4,043	4,093	4,124
Lines in service per employee (2)	355	360	371	370	375
ARBU (in P\$/month) (national + international)	152.3	97.9	67.7	57.4	52.5
Fixed Internet access lines (thousands)	1,744	1,738	1,814	1,771	1,707
Arnet subscribers (thousands)	1,757	1,726	1,791	1,749	1,687
ARPU ADSL (access + ISP) (in P\$/month)	359.6	270.9	207.4	153.0	124.7
Mobile subscribers in Argentina (thousands)	18,980	19,514	19,656	19,585	20,088
Subscribers at year-end per employee (2)	4,418	4,187	4,005	3,950	3,897
ARPU (in P\$/month)	142.3	112.3	91.5	74.2	66.8
MOU (in minutes/month)	86.9	89.9	93.7	99.5	111.7
MBOU (in Mb per user/month) (3)	1,813	1,038	658	n/a	n/a
Mobile subscribers in Paraguay (thousands)(4)	2,450	2,538	2,546	2,481	2,420
Subscribers at year-end per employee (2) (5)	6,238	6,317	6,225	6,159	5,696
ARPU (in P\$/month)	77.9	71.7	46.5	47.9	34.6
MOU (in minutes/month)	56.0	56.0	68.5	57.5	61.3
Telecom Group Headcount(6)	15,396	15,970	16,224	16,416	16,581

(1) Includes lines customers, own usage, public telephony and Integrated Services Digital Network ( ISDN ) channels.

(2) Excluding temporary employees, if any.

(3) Correspond to customers with consumption higher than 10Mb.

(4) Including Wi-Max Internet customers.

(5) Excluding Wi-Max Internet customers.

(6) Including temporary employees, if any.

**Exchange Rates**

The following tables show, for the periods indicated, certain information regarding the exchange rates for U.S. dollars, expressed in nominal pesos per dollar (ask price published by Banco de la Nación Argentina). See Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina.

	High(1)	Low(1)	Average(2)	End of Period
Year Ended December 31, 2013	6.52	4.98	5.55	6.52
Year Ended December 31, 2014	8.55	7.87	8.23	8.55
Year Ended December 31, 2015	13.04	8.64	9.45	13.04
Year Ended December 31, 2016	15.89	13.96	14.99	15.89

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Year Ended December 31, 2017	18.65	15.39	16.73	18.65
Month Ended October 31, 2017	17.70	17.34	17.46	17.66
Month Ended November 30, 2017	17.65	17.31	17.48	17.31
Month Ended December 31, 2017	19.20	17.23	17.73	18.65
Month Ended January 31, 2018	19.65	18.41	19.04	19.65
Month Ended February 28, 2018	20.20	19.38	19.83	20.11
Month Ended March 31, 2018	20.41	20.15	20.24	20.15
April 2018 (through April 17, 2018)	20.22	20.16	20.19	20.18

(1) Yearly data is based on month-end rates.

(2) Yearly data reflect average of month-end rates.

Sources: *Banco de la Nación Argentina*

On April 17, 2018, the exchange rate was P\$20.18= US\$1.00.

**Capitalization and Indebtedness**

Not applicable.

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**Reasons for the Offer and Use of Proceeds**

Not applicable.

**Risk Factors**

*This section is intended to be a summary of more detailed discussions contained elsewhere in this Annual Report. The risks described below are not the only ones that we face. Additional risks that we do not presently consider material, or of which we are not currently aware, may also affect us. Our business, results of operations, financial condition and cash flows could be materially and adversely affected if any of these risks materialize and, as a result, the market price of our shares and our ADSs could decline. You should carefully consider these risks with respect to an investment in Telecom Argentina.*

**Risks Relating to Argentina**

*Overview*

A substantial majority of our property, operations and customers are located in Argentina, and a portion of our assets and liabilities are denominated in foreign currencies. Accordingly, our financial condition, results of operations and cash flows depend to a significant extent on economic and political conditions prevailing in Argentina and on the exchange rates between the peso and foreign currencies. In the recent past, Argentina has experienced severe recessions, political crises, periods of high inflation and significant currency devaluation. Argentina experienced economic growth in the last decade, although according to INDEC's official figures, the Argentine economy contracted in 2016 and recovered in 2017. Uncertainty remains as to whether the growth is sustainable, as well as how several factors would impact the Argentine economy, including among others, inflation rates, exchange rates, commodity prices, level of BCRA reserves, public debt, tax pressures and healthy trade and fiscal balances.

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

Since we generate a substantial portion of our revenues in pesos (our functional currency), any devaluation may negatively affect the U.S. dollar value of our earnings while increasing, in peso terms, our expenses and capital expenditures denominated in foreign currency. A depreciation of the Argentine Peso against major foreign currencies may also have an adverse impact on our capital expenditure program and increase the peso amount of our trade liabilities and financial debt denominated in foreign currencies. Telecom seeks to manage the risk of devaluation of the peso by entering from time to time into certain NDF agreements to partially or completely hedge its exposure to foreign currency fluctuations caused by its liabilities denominated in foreign currencies (mainly U.S. dollars). The Company also has financial assets denominated in U.S. dollars that contribute to reduce the exposure to liabilities denominated in foreign currencies as well as international operations in the U.S., Uruguay and Paraguay that generate profits in foreign currencies. See Item 11 Quantitative and Qualitative Disclosures About Market Risk and Item



The Argentine Peso has been subject to significant devaluation against the U.S. dollar in the past and may be subject to fluctuations in the future. According to the exchange rate published by the Banco de la Nación Argentina, in the year ended December 31, 2017 the devaluation of the peso against the U.S. dollar was 17.4% (compared to 21.9% and 52.5% in the years ended December 31, 2016 and 2015, respectively). The Argentine Peso lost 7.1% of its value against the U.S. dollar in the first two months of 2018.

Beginning on December 17, 2015, the current administration lifted most of the restrictions to access the foreign exchange markets ( FX Markets ) and the multiple exchange rate system was unified into a floating rate regime. As a result, the value of the peso depreciated significantly against the U.S. dollar. This measure allowed almost a total unification of the multiple exchange rate system applicable at that time over the commercial and financial transactions in Argentina. See Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina .

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

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*Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom s margins.*

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

On January 2014, a new consumer price index, the National Urban Consumer Price Index (*Indice de Precios al Consumidor Nacional Urbano*, or IPCNu ) was published with the aim of improving the accuracy of measurements of the evolution of prices in the Argentine economy. The IPCNu integrates a set of price indexes which allows for the monitoring of the change in several prices in the economy (wholesale, commodities and construction costs, among others) by considering the price information from all the provinces in Argentina. The IPCNu increased by 11.9% over the period from January to October 2015 (according to last available data); and by 23.9% in 2014. In the past, there has been a substantial disparity between the inflation indexes published by the INDEC and the higher inflation indexes estimated by private consulting firms. The INDEC estimated that the Argentine wholesale price index increased by 13.1% in 2012, 14.8% in 2013, 28.3% in 2014 and 10.6% in the period of January to October 2015 (according to the last available data because INDEC has not disclosed figures for November and December 2015). The INDEC resumed publication of the wholesale price index for full year since 2016, the Argentine Wholesale Price Index increased by 34.6% in 2016 and 18.8% in 2017, on a year-over-year comparison.

On January 8, 2016, the current administration issued Decree No. 55/2016 declaring a state of administrative emergency with respect to the national statistical system and the INDEC until December 31, 2016 (which was not extended). During this state of emergency, the INDEC had suspended publication of certain statistical data (regarding prices, poverty, unemployment and GDP) until it completed a reorganization of its technical and administrative structure capable of producing sufficient and reliable statistical information. As of the date of this Annual Report, INDEC has resumed publication of mentioned statistical data, although for some indicators it has not disclosed or provided reestimated figures for certain time periods.

As a consequence of the aforementioned events, the full year 2015 inflation measure for IPCNu index was not disclosed, and according to last available data (from October 2015) the IPCNu registered an increase of 11.9% over the January to October 2015 period. As alternative guidance to IPCNu, the authorities suggested that other measures should be observed, such as those published by the statistical entity of the Autonomous City of Buenos Aires (IPC CABA) and the San Luis Province that registered an annual increase of 26.9% and 31.6% in 2015, respectively. IPCNu publication was resumed in June 2016 disclosing May 2016 monthly inflation figures, while data for the months in the period January to April 2016 remains unavailable. Taking this into account, IPCNu variation from May to December 2016 was 16.9% and, as alternative guidance, the indexes published by the Province of San Luis and the Autonomous City of Buenos Aires from January to April 2016 represented an increase of 13.9% and 19.2%, respectively. During 2017, the INDEC published monthly IPC index regularly, registering an increase of 24.8% on a year-over-year comparison. The respective IPC variation was of 1.8% and 2.4% for the months of January and February 2018, in each case compared against the previous month.

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

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

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

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***Future policies of the Argentine government may affect the economy as well as the operations of the telecommunications industry, including Telecom Argentina.***

The Argentine government has historically exercised significant influence over the economy, and telecommunications companies in particular have operated in a highly regulated environment. In the past, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. Regulations such as SC Resolution No. 5/13 regarding the quality of telecommunication services could further increase penalties imposed by the regulatory authorities. In addition, local municipalities in the regions where we operate have also introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed line and mobile networks. For example, municipalities usually restrict areas where antennas may be deployed; causing negative impact for the mobile service coverage, which in turn affects our quality of services. Provinces have increased their tax rates, particularly the turnover tax rates. Municipal and provincial tax authorities have also brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. See Item 8 Financial Information Legal Proceedings Tax Matters for more information.

If claims against us are not resolved in our favor, and changes to the existing laws and regulations lead to adverse consequences for the Company, our business, financial condition, results of operations and cash flows may be adversely affected.

Since assuming office on December 10, 2015, President Macri has announced several economic and policy reforms. As of the date of this Annual Report, the impact that these measures and any future measures taken by the current administration will have on the Argentine economy as a whole and the telecommunication sector in particular cannot be predicted. We believe that the effect of the planned liberalization of the economy, the reduction of the poverty and the integration of Argentina to international markets, will be positive for our business by stimulating economic activity. However, it is not possible to predict such effect with certainty and such liberalization could also be disruptive to the economy and fail to benefit or harm the Argentine economy and our business in particular.

We cannot assure you that the Argentine government will not adopt other policies that could adversely affect the Argentine economy or our business, financial condition or results of operations. In addition, we cannot assure you that future economic, regulatory, social and political developments in Argentina will not impair our business, financial condition or results of operations, or cause the market value of our common shares to decline.

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

In November 2008, through Law No. 26,425, Argentina nationalized its private pension and retirement system, which had been previously administered by the AFJP, and appointed ANSES as its administrator. Argentina's nationalization of its pension and retirement system constituted a significant change in the Argentine government's approach towards Argentina's main publicly traded companies. A significant portion of the public float of these companies was owned by the AFJP and is currently held by ANSES-FGS, such as the case of Telecom. See Item 7 Major Shareholders and Related Party Transactions. The Argentine government could exercise influence over corporate governance decisions of companies in which it owns shares by combining its ability to exercise its shareholder voting rights to designate board and supervisory committee members with its ability to dictate tax and regulatory matters. Additionally, since the AFJP were significant institutional investors and active market traders in Argentina, the nationalization of the private pension and retirement system affected the access to financing in capital markets for publicly traded companies as well as liquidity within the market.

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Since assuming office on December 10, 2015, President Macri has implemented and announced several economic and policy reforms. As of the date of this Annual Report, the impact that these measures and any future measures taken by the current administration will have on the Argentine economy as a whole and the telecommunication sector in particular cannot be predicted.

In addition, prior administrations took several steps to re-nationalize the concessions and utilities that were privatized during the 1990s. We cannot predict whether current or future administrations will take similar or further measures, including nationalization, expropriation and/or increased Argentine governmental intervention in companies.

The matters described above could create uncertainties for some investors in public companies in Argentina, including Telecom Argentina.

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

The effects of the global economic and financial crisis in recent years and the general weakness in the global economy may negatively affect emerging economies like Argentina's. Global financial instability may impact the Argentine economy and cause a slowdown in Argentina's growth rate or could lead to a recession with consequences in the trade and fiscal balances and in the unemployment level.

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

Moreover, several trading partners of Argentina (such as Brazil, Europe and China) are experiencing significant slowdowns or recession periods in their economies. This may impact the demand for products coming from Argentina and hence affect its economy.

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

Substantially all of our operations, properties and customers are located in Argentina, and, as a result, our business is, to a large extent, dependent upon economic and legal conditions prevailing in Argentina. If economic and legal conditions in Argentina were to deteriorate, they could have an adverse effect on our financial condition, results of operations and cash flows.

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

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

In the event of any economic, social or political crisis, companies operating in Argentina may face the risk of strikes, expropriation, nationalization, forced modification of existing contracts, and changes in taxation policies including tax increases and retroactive tax claims. In

addition, Argentine courts have issued rulings changing the existing case law on labor matters and requiring companies to assume greater responsibility for, and assumption of costs and risks associated with, sub-contracted labor and the calculation of salaries, severance payments and social security contributions. Since we operate in a context in which the governing law and applicable regulations change frequently, it is difficult to predict if and how our activities will be affected by such changes.

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

After Argentina's default on certain debt payments in 2001, the government successfully restructured 92% of the debt through two debt exchange offers in 2005 and 2010. Commencing in 2002, holdout creditors filed numerous lawsuits against Argentina in several jurisdictions, including the United States, Italy, Germany and Japan. These lawsuits generally assert that Argentina failed to make timely payments of interest and/or principal on their bonds, and seek judgments for the face value of and/or accrued interest on those bonds. Judgments have been issued in numerous proceedings in the United States, Germany and Japan. As of the date of this Annual Report, creditors with favorable judgments have not succeeded, with a few minor exceptions, in executing on those judgments.

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

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

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

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

Notwithstanding that the lifting in 2016 following the settlements with holdout bondholders of the injunction affecting payments to bondholders that participated in the debt exchange offers of 2005 and 2010 eliminates an important obstacle for the country's access to international capital markets, there can be no assurance that litigation initiated by non-accepting bondholders as well as pending claims before the ICSID could result in legal procedures against the Argentine government and this could entail embargoes/seizures or precautionary measures in relation to Argentine assets that the Argentine government allocated to other uses. As a result, the Argentine government may not have the financial resources to implement reforms and boost growth, which could have a significant adverse effect on the country's economy and, consequently, on our activities. Likewise, Argentina's inability to obtain credit in international markets could have a direct impact on the Company's ability to access those markets to finance its operations and its growth, including the financing of capital investments, which would negatively affect our financial condition, results of operations and cash flows. In addition, we have investments in Argentine sovereign bonds amounting to P\$3,041 million as of December 31, 2017. Any new event of default by the Argentine government could negatively affect their valuation and repayment terms.



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

The Argentine banking system has experienced several crisis in the past. Among those, the Argentine banking system collapsed in 2001 and 2002, when the Argentine government restricted bank withdrawals and required mandatory conversion of dollar deposits to pesos. From 2005 to 2007, a period of economic growth coupled with relative stability of the country's exchange rate and inflation resulted in the restoration of public confidence, a gradual accumulation of deposits in Argentine financial institutions, and improved liquidity of the financial system. However, since 2008 certain events such as internal conflicts with certain sectors of the Argentine economy, the international financial crisis and the increased regulation on the FX Market, have decreased depositors' confidence. In recent years, the Argentine financial system grew significantly with a marked increase in loans and

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private deposits, showing a recovery of credit activity. In spite of the fact that the financial system's deposits continue to grow, they are mostly short-term deposits and the sources of medium and long-term funding for financial institutions are currently limited. In 2017, private deposits in pesos rose by 26% year-over-year, fueled by the growth of saving accounts and current accounts with a 31% increase, and followed by time deposits with a 19% increase. Meanwhile, Peso-denominated loans continued expanding, where the mortgage loans experienced the highest increase, followed by personal loans and to a lower extent credit card financing. In addition, loans in foreign currency (composed mainly of corporate loans) showed great dynamism, increasing by 62% at the end of 2017.

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

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

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

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

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

**Risks Relating to Telecom and its Operations**

*Telecom's Consolidated Financial Statements and the selected financial data included in this Annual Report may not be indicative of, and may differ materially from, our future results of operations after the Merger.*

Telecom's Consolidated Financial Statements and the selected financial data incorporated in this Annual Report have been prepared on a consolidated basis using Telecom's historical accounting records and represent our historical operations prior to the Merger. As a result, Telecom's historical financial data incorporated in this Annual Report is not indicative of the future operating results, cash flows or financial

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position of Telecom upon consummation of the Merger on January 1, 2018. Telecom's Consolidated Financial Statements do not reflect future events that may occur, including the costs related to a potential integration and any future nonrecurring charges resulting from the Merger, and do not consider potential impacts of current market conditions on revenues or expense efficiencies nor the effects of the acquisition method accounting of the Merger under the requirements of IFRS 3. Further, the market price of the combined company's common shares may be affected by factors other than those that affected the independent results of operations of each of Telecom and Cablevision.

In addition, we are conducting a review of our fixed assets, especially of the networks and antenna infrastructures as a result of the Merger, with the assistance of specialized advisors, in order to plan the optimal use of our resources for the development of our activities. The above consideration, together with the accounting treatment of the Merger as provided under IFRS 3 (Business

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Combinations) in connection with the recognition and valuation of net identifiable assets (the allocation of the amount paid in excess by the acquirer to the net identifiable assets of the acquiree, among them, the fixed assets) and the unification of the accounting criteria for the valuation and disclosure of the merged companies, may generate significant changes in the valuation and composition of the consolidated fixed assets.

*Current or future regulatory policies could affect the operations of the telecommunications industry, including the Company.*

In Argentina, telecommunications markets developed within a regulated framework in recent years.

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

For example, SC Resolution No. 5/13 regarding the quality of telecommunication services increased the penalties imposed by the Regulatory Bodies by setting higher compliance standards that exceeds the then prevailing international standards, especially, considering the difficulties in obtaining municipal authorization to install antennas in the mobile business. Telecom Argentina, Personal and other telecommunications operators have submitted technical comments for a review of the standards. On March 3, 2017, SECTIC Resolution No. 3-E/17 was issued declaring the opening of the consultation procedure regarding the quality of services of ICT networks, with the aim of ruling a new quality of service framework.

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

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

Furthermore, the LAD, which became effective on December 19, 2014 and regulates ICT services, incorporated numerous modifications to the regulatory framework applicable to telecommunications services in Argentina. Since the law requires the enactment of new regulations most of which have not been issued to date, there is uncertainty regarding how certain aspects, such as the sanctions regime, the provision of infrastructure to other providers and the asymmetries that may be imposed on the dominant operator, among others, will be regulated as well as uncertainty regarding the impact that any new regulations may have on Telecom Argentina. Recently, some public consultation documents procedures were opened with the aim to rule new standards, such as SECTIC Resolution No. 2-E/17 which opened the consultation document related to the project for the interconnection and access regime, whose provisions could negatively affect the Company's operations. See Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework Other Regulations.

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

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

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our operating margins may be adversely affected. Our ability to comply with the conditions in our license, as well as the relevant provisions in applicable regulations and laws, may be affected by events or circumstances outside of our control, and therefore we cannot predict whether such events or circumstances result in an adverse effect on our financial condition, our operations and cash flows.

*We operate in a competitive environment that may result in a reduction in our market share in the future.*

We compete with licensed provider groups, composed of, among others, independent fixed line service providers, mobile and cable operators, as well as individual licensees, some of which are affiliated with major service providers outside Argentina.

Internet and mobile services, which we expect will continue to account for an increasing percentage of our revenues in the future, are characterized by rapidly changing technology, evolving industry standards, changes in customer preferences and the frequent introduction of new services and products. To remain competitive in the fixed telecommunications market, we must invest in our fixed-line network and information technology. Specifically, in the Internet services market, we must constantly upgrade our access technology and software in order to increase the speed of our network and improve the commercial offers and the user experience. Also, to remain competitive in the mobile telecommunications market, we must continue to enhance our mobile networks by expanding our 3G network and deploying our 4G network. See Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework Spectrum. Future technological developments may result in decreased customer demand for certain of our services or even render them obsolete. In addition, as new technologies develop, equipment may need to be replaced or upgraded or network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures.

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

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

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

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

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

Additionally, if modifications to the LAD occur through the issuance of a DNU or new legislation allows licensees of ICT services to register and provide subscription broadcasting service by satellite link is not permitted, although it would mean that we can provide the service under this modality and enter areas where we currently do not provide subscription broadcasting service, it will surely also ease the entry of new competitors into said market. As a result, we may have to face additional pressure with respect to the prices we charge for our services or experience a loss of participation in the subscription broadcasting market.

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

See Item 4 Information on the Company The Business Competition.

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

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

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

***The Merger is subject to Argentine antitrust laws and regulations***

As a consequence of the Merger, Telecom Argentina s radio spectrum currently exceeds the legal cap set forth by Section 5 of Resolution No. 171-E/17, issued by the Ministry of Communications. Therefore, pursuant to Decree No. 764/2000 and the refarming agreement executed by Nextel and the ENACOM, Telecom Argentina must submit a proposal to conform to that legal cap, by no later than a year following approval of the Merger by the Antitrust Authority. ENACOM may accept or reject said proposal, and/or request further information, as necessary.

As of the date of this Annual Report, a pronouncement by the Antitrust Authority regarding the Merger is still pending.

***Cablevisión Holding S.A. ( CVH ), and through CVH, GC Dominio S.A. ( GC Dominio ), have the ability to determine the outcome of any shareholder decision relating to significant matters affecting us.***



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As a result of the Merger, CVH owns Class D Shares which represent 38.81% of Telecom Argentina's total capital stock (direct and indirect). GC Dominio owns 64.25% of the voting stock of CVH, which represents 26.44% of the total capital stock of CVH and 64.25% of the total votes as of the date of this Annual Report.

After the Merger, Fintech Telecom LLC (Fintech) owns Class A Shares which represent 31.53% of the total capital stock of Telecom Argentina and additionally owns Class B Shares which represent 8.24% of total stock of Telecom Argentina.

Through its ownership of Telecom Argentina Class D Shares and pursuant to the arrangements resulting from the Telecom Shareholders Agreement, CVH, as a general matter, has the ability to determine the outcome of any action requiring our shareholders' approval. In addition, our bylaws provide Class A and Class D Shares, and the directors appointed by Class A and D Shares, with veto powers, with respect to certain matters relating to us. See Item 7 Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreement.

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In the past, we conducted transactions with the shareholders of Nortel and/or Sofora, including Fintech and its affiliates and expect to engage in transactions with CVH and its affiliates as from January 1, 2018. Certain decisions concerning our operations or financial structure may present conflicts of interest between the shareholders owners directly or indirectly, of our capital stock and as parties with interests in these related-party contracts.

Nevertheless, all of our related-party transactions are made on an arm's-length basis. Related-party transactions involving Telecom Argentina that exceed 1% of its shareholders' equity are subject to a prior approval process established by Law No. 26,831 and require involvement of the Audit Committee and/or an opinion of two independent valuation firms as well as subsequent approval by the Board of Directors to verify that the agreement could reasonably be considered to be in accordance with normal and habitual market practice. See Item 7 Major Shareholders and Related Party Transactions Related Party Transactions.

***Telecom may fail to integrate its business and the business of Personal with that of Cablevisión as planned and, as a result, the combined company may not realize all of the anticipated benefits of the Merger.***

Telecom and Cablevisión entered into the Merger with the expectation that the Merger will result in various benefits, including, among other things, the ability to become a successful quadruple-play services provider in Argentina. The success of the Merger will depend, in part, on the ability of the combined company to realize such anticipated benefits from combining the businesses of Telecom (including the business of Personal) and that of Cablevisión and the implementation of certain regulatory changes in the telecommunications sector that began in January 2018. The past financial performance of each of Telecom and Cablevisión may not be indicative of their future financial performance as a combined company. The anticipated benefits and cost savings of the Merger may not be realized fully, or at all, or may take longer to realize than expected. Failure to achieve anticipated benefits could result in increased costs and decreases in the amounts of expected revenues or results of the combined company. Additionally, the accounting treatment of the Merger under IFRS 3 may have a significant impact on our financial positions and income statement.

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

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

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

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

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

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*Telecom may fail to realize the synergies and benefits anticipated from the Reorganization.*

The Reorganization may not achieve the synergies and benefits that the Participating Companies anticipate. Telecom may face operational challenges as a result of the Reorganization, including difficulties integrating and developing Personal's technology platform. If Telecom experiences significant disruptions in its technology platform as a result of new technology acquired, Telecom's business, results of operations and financial condition could be adversely affected. In addition, higher than expected overhead, operating and administrative expenses or an inability to eliminate duplicative overhead and administrative functions could cause Telecom not to realize the expected cost savings and synergies and leave Telecom's business less profitable.

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

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

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

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

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

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

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

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

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

Labor costs are one of the largest cost items of the merged company. If labor organization claims continue or are sustained, this could result in increased costs, greater conflict in the negotiation process and strikes (including general strikes and strikes by the Company's employees and the contractors and subcontractors' employees) that may adversely affect our operations. See Item 6 Directors, Senior Management and Employees Employees and Labor Relations.

In addition, certain telecommunication unions have initiated claims against the Company alleging non-compliance of certain conditions provided for in the collective bargaining agreements that could allow them to negotiate the inclusion of some suppliers' employees in their collective bargaining agreements. See Item 8 Financial Information Legal Proceedings Labor Claims.

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*We are involved in various legal proceedings which could result in unfavorable decisions and financial penalties for us.*

We are party to a number of legal proceedings, some of which have been pending for several years. We cannot be certain that these claims will be resolved in our favor. Responding to the demands of litigation may divert Management's time attention and financial resources. As of December 31, 2017, the Company recorded provisions that it estimates are sufficient to cover those contingencies considered probable. See Notes 2 and 17 to our Consolidated Financial Statements.

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

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

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

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

Customers and consumers' trade unions brought up different claims against Personal regarding improperly billed charges. See Item 8 Financial Information Legal Proceedings Consumer Trade Union Proceedings. Although Personal has taken certain actions in order to reduce risks in connection with these claims, we cannot assure that new claims will not be filed in the future.

The Company has sanctions imposed by the Regulatory Bodies for technical reasons, mainly related to the delay in repairing defective lines, installing new lines and/or service failures. The Company has recorded provisions for the amounts of sanctions that it estimates are probable. Although sanctions are appealed in the administrative stage, if the appeals are not resolved in our favor in administrative or judicial stage or if they are resolved for amounts larger than those recorded, it could have an adverse effect on our financial situation, results of our operations and cash flows. See Note 17 to the Consolidated Financial Statements.

As of the date of this Annual Report there are still pending administrative appeals filed by Telecom Argentina in 2012 against several resolutions that rendered deductions in the payments to the Universal Service ( SU ) ineffective with reference to several programs provided by Telecom Argentina in the play mode of the SU.

In October 2016, the Company modified the criteria used for the statement of some of its commercial plans ( *Abono fijo* ) for purposes of paying the radioelectric spectrum fees (*derecho de uso de espectro radioeléctrico* or *DER* ), taking into account certain changes in such plans

composition. This meant a reduction in the amount of fees paid. In March 2017, the ENACOM demanded Personal to rectify its statements, requiring that such plan's statements continue to be prepared based on previous criteria. Management believes that it has solid legal arguments to defend its position. However, it cannot be assured that such arguments will be accepted by the ENACOM.

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

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In 2009, the Argentine national environmental agency (*Secretaría de Medioambiente y Desarrollo Sustentable*) required that Telecom Argentina register before the National Registry of Generators and Operators of Hazardous Waste as a result of alleged problems with our liquid drainage in an underground chamber. Such registration would require Telecom Argentina to pay an annual fee calculated in accordance with a formula that takes into consideration the hazard's extent effect and the quantity of the waste. Telecom Argentina filed a request for administrative review seeking the rejection of the environmental agency's order. We cannot guarantee that the order will be left without effect. In addition, changes in environmental legislation or the evolution of products and services we offer could require Telecom Argentina to be registered in the National Registry of Generators and Operators of Hazardous Waste. In that case or if the order of the environmental agency is not left without effect, Telecom Argentina would face increased costs which may include retroactive fees.

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

See Item 8 Financial Information Legal Proceedings for a detail of the legal proceedings in which the Company is a party.

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

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

The employers included in the Repsal are subject to sanctions, such as: the inability to access public programs, benefits, subsidies or credit from state-owned banks, the inability to enter into contracts and licenses of property owned by the Argentine government, or the inability to participate in the awarding of concessions of public services and licenses. Employers that commit the same infringement for which they were added to the Repsal within a 3-year period after the final first decision imposing sanctions, shall not be able to deduct from the Income Tax the expenses related to their employees while the employers are included in the Repsal. This new regulation applies both to Telecom and its contractors and subcontractors, whose employees could initiate claims to Telecom for direct or indirect responsibility.

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

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



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

Between 2011 and 2015, the Argentine government implemented a series of measures aimed to increase procedures and controls on the foreign trade and capital flows. To that effect, certain measures were implemented to control and limit the purchase of foreign currency, such as the prior approval of the AFIP for any purchase of foreign currency made by private companies and individuals for saving purposes among others. In addition, the BCRA expanded the controls and measures to make payments abroad accessing the local foreign exchange market, regarding trade payables and

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financial debt, and also established demanding procedures that must be met to pay certain trade payables with related parties. Although no regulations prohibited making dividend payments to foreign shareholders, in practice authorities substantially limited any purchase of foreign currency to pay dividends during the 2011 through 2015 period.

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

Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina.

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

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

*Operational risks could adversely affect our reputation and our profitability.*

Telecom faces operational risks inherent in its business, including those resulting from inadequate internal processes; fraud; employee errors or misconduct; failure to comply with applicable laws and regulations; failure to document transactions properly; systems failures; errors or failures not foreseen in the foundational projects that the Company is carrying out for updating its core systems inadequate maintenance of posts or its electrification by proximity to the electric network; inadequate environmental management including reverse logistics of goods and materials in disuse that could become hazardous waste; incomplete or inappropriate municipal habilitations resulting of changes in operations or changes in regulations; failure to preserve the secrecy and content of telecommunications required by law; weaknesses in datacenters energy scheme; launching of IoT products and services without proper security measures; excessive dependence on certain providers with which a large number of operations are concentrated due to the exclusivity of the technology or service they provide, economic convenience or for strategic reasons; among others. In addition, cyber-attacks or unauthorized accesses to the Company's information systems or institutional sites could cause the loss or improper use of confidential information, unauthorized changes in the Company's information and network systems or alterations to the information that the Company publishes on these sites. Moreover, certain assets of the Company could be damaged by acts of vandalism or theft of components or by works of third parties on public thoroughfare that damage infrastructure that do not have a second safety path to provide the service. These events could result in direct or indirect losses, inaccurate information for decision making, adverse legal and regulatory proceedings, technical failures in the Company's ability to provide its services, damages to third parties, and harm our reputation and operational effectiveness, among others. As of the date of this Annual Report, we are not insured against damages caused by cyber-attacks and related events.

The Company maintains insurance policies to cover its main assets, particularly its properties. If economic and financial conditions in Argentina were to deteriorate (i.e. devaluation, inflation, etc.), the insurance coverage may not be representative of the market value of the properties which

could result in losses for the Company.

Telecom's suppliers of goods and services are contractually obliged to comply with laws and regulations (including tax, labor, social security, anti-corruption, money laundering standards, etc.). Additionally, our suppliers shall comply with a set of conduct standards, such as the Code of Ethics, established by the Telecom Group and must require similar compliance by their employees and subcontractors. Despite these legal safeguards and monitoring efforts made in the Telecom Group in

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relation to its suppliers, we cannot ensure that they will comply with all applicable standards. As a result, Telecom could be adversely affected in a monetary, criminal or reputational way, despite our contractual rights to claim for compensations for damages that they could cause to us.

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

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

***The Company and/or its administrators are subject to environmental and safety regulations whose non-compliance could result in increased costs and/or penalties for the Company's administrators***

Some of the goods and facilities used in our operation are subject to federal, state and municipal environmental and safety regulations. If such rules are not adequately complied they could result in fines, potential delays or inability to obtain authorization for the Company's facilities and operations which could have an adverse effect in our business, but also could result in penalties for the Company's administrators. In addition, according with global trends, new and stricter standards may be issued, or authorities may enforce or construe existing laws and regulations in a more restrictive manner, which may force us to make expenditures or to incur increased costs to comply with such new rules. Moreover, as a result of the Company's change of controlling shareholders, environmental regulations are being reviewed in order to implement the measures to remediate non-compliances, if any.

**Risks Relating to the Cablevisión Business Industry**

***Following the Merger and the integration of Cablevisión business and operations, we face substantial and increasing competition in the Argentine cable television and data cable transmission industry (the Cablevisión Business).***

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

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

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

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

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

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

***The Cablevisión Business' revenues are cyclical and depend upon the condition of the Argentine economy.***

Revenues generated by the Cablevisión Business' cable television and internet access operations have proven cyclical and depend on general economic conditions. In the past, a general economic downturn in Argentina has had, and would be expected to have in the future, a negative effect on the Cablevisión Business' revenues and a material adverse effect on its results of operations. Historically, increases in losses of cable television subscribers have corresponded with general economic downturns and regional and local economic recessions. In particular, the 2001-2002 Argentine economic crisis had a material adverse effect on the Cablevisión Business' cable television revenues. Moreover, most of the Cablevisión Business' revenues are denominated in Pesos, exposing us to risks related with fluctuations in the value of the Peso. See Risk Factors' Risks Relating to Argentina' Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad.

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

Activities in the Cablevisión Business are subject to risks associated with the adoption and implementation of governmental regulations that reflect changing governmental policies over time. After the deregulation of Argentina's telecommunications and media industries in 1995, the Broadcasting Law (as defined below), the Digital Argentina Law and their implementing regulations have been amended on a number of occasions, modifying requirements to hold or transfer broadcasting licenses. In addition, the Cablevisión Business is subject to the regulations of certain other governmental entities, including the SCI, which has issued resolutions requiring Argentine cable television operators to apply a formula to calculate their customers' monthly subscription prices. Although Cablevisión contested such SCI regulations, we can offer no assurances that it will not be subject to similar regulations in the future, which could force us to modify the prices of subscription services and have a material adverse effect on the revenues generated by our activities relating to the Cablevisión Business.

New regulations may be adopted to limit the Cablevisión Business' ability to operate or to permit new competitors to enter the cable television industry.

The Cablevisión Business may also be subject to additional and unanticipated governmental regulations in the future. For more information on the regulatory framework, see Item 4' Information on the Company' Regulatory and Legal Framework.

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

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

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*The media industry is a dynamic and evolving industry, and if it does not develop and expand as we currently expect, our results and operations relating to the Cablevisión Business may suffer.*

We expect to derive an increasing amount of revenues from our activities in the Cablevisión Business, but we may not do so if these non-traditional media operations do not develop and expand as we currently expect. The role of cable television in Argentina became increasingly important in the past. More recently, non-traditional technologies, including Over-The-Top services (which are services provided by a telecommunications provider through IP networks not necessarily owned by the provider, including communications, content and cloud-based offerings), such as Netflix or HBO, have come to play a larger role in the Argentine telecommunications industry. These companies take advantage of the deregulation of the sector to bring their services through third-party networks without paying any fee or right to use it. These technology and new services areas are in the early stages of development, and growth may be inhibited for a number of reasons, including:

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

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

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



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

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

*We may not be able to renew some leases of the facilities for the installation of its cable system.*

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

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*Our activities relating to the Cablevisión Business may not be in compliance with local ordinances.*

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

*Our revenues relating to the Cablevisión Business may be adversely affected by an increase in churn rates.*

Our revenues relating to the Cablevisión Business will depend partially on its ability to retain customers by limiting its churn rates. The churn rate is determined by calculating the total number of disconnected customers over a given period as a percentage of the initial number of customers for the same period. We seek to enforce a strict disconnection policy, which provides for the disconnection of cable television services after a three-month period of non-payment and delivery of a notice of disconnection. With respect to broadband, we disconnect services after a two-month period of non-payment and delivery of a corresponding notice of disconnection. For the year ended December 31, 2017, Cablevisión's cable customer churn rate was 14.6% and its broadband customer churn rate was 17.1%. Any substantial increase in churn rates may have a material adverse effect on our revenues and results of operations.

*Our revenues relating to the Cablevisión Business are subject to uncertainty due to, and may be adversely affected by, the formula provided by Resolution No. 50/10 to estimate monthly fees paid by cable television subscribers.*

In 2010, the Secretariat of Domestic Trade ( SCI ) issued Resolution No. 50/10 ( Resolution 50 ), which sets forth certain rules for the sale of pay television service. These rules provide that cable television operators must apply a specific formula to estimate monthly fees to be paid by cable television subscribers and report these estimates to the Office of Business Loyalty (*Dirección de Lealtad Comercial*). Given the broad variables provided by Resolution 50 to calculate such formula, as of the date of issuance of this Annual Report, the actual impact of these rules on the monthly fees we collect is uncertain and may have a material adverse effect on our revenues and results of operations relating to the Cablevisión Business.

**Risks Relating to Telecom Argentina's Shares and ADSs**

*Fluctuations in Telecom Argentina's share price depend on various factors, some of which are outside of our control.*

The market price of our shares is subject to change due to various factors which are outside of our control such as: (i) changes in market expectations; (ii) changes in the economic, financial and political situation in Argentina; (iii) the way the ANSES will exercise its corporate,

political, and economic rights and will manage its share ownership in Telecom Argentina; and (iv) changes in measures used by investors or analysts to value our stock or market trends unrelated to our performance and operations. We cannot predict when such external factors will affect our stock price or whether their effects will be positive or negative.

In addition, currency fluctuations could impact the value of an investment in Telecom Argentina. Although Telecom Argentina's ADSs listed on the New York Stock Exchange are U.S. dollar-denominated securities, they do not eliminate the currency risk associated with an investment in an Argentine company.

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In addition, on March 16, 2017, Telecom Argentina's Board of Directors approved the submission to the SEC of a Shelf Registration Statement with the aim, once the SEC declares it effective, of permitting the secondary sale of Class B Shares issued by Telecom Argentina and the underlying ADSs of such Class B Shares in the United States.

Future sales of substantial amounts of Telecom Argentina Class B Shares and ADSs, or the perception that such future sales may occur, may depress the price of Telecom Argentina Class B Shares and ADSs. Additionally, future sales of treasury shares, may also depress the price of Telecom Argentina Shares and ADSs.

We cannot assure you that the price of our Class B Shares and ADSs would recover from any such decline in value.

***Trading of Telecom Argentina's Class B Shares in the Argentine securities markets is limited and could experience further illiquidity and price volatility.***

Argentine securities markets are substantially smaller, less liquid and more volatile than major securities markets in the U.S. In addition, Argentine securities markets may be materially affected by developments in other emerging markets, particularly other countries in Latin America. Our Class B Shares underlying ADSs are less actively traded than securities in more developed countries and, consequently, an ADS holder may have a limited ability to sell the Class B Shares underlying ADSs upon withdrawal from the ADSs facility in the amount and at the price and time that it may desire. This limited trading market may also increase the price volatility of Telecom Argentina Class B Shares underlying the ADSs.

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

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

***The relative volatility and illiquidity of the Argentine securities markets may substantially limit your ability to sell the Class B Shares underlying the ADSs on the BYMA at the price and time desired by the shareholder.***

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Argentine securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States, and is not as highly regulated or supervised as some of these other markets. There is also significantly greater concentration in the Argentine securities market than in major

securities markets in the United States. The ten largest companies in terms of market capitalization represented approximately 81% of the aggregate market capitalization of the BYMA as of December 31, 2017. Accordingly, although shareholders are entitled to withdraw the Class B Shares underlying the ADSs from the depositary at any time, the ability to sell such shares on the BYMA at a price and time shareholders might want may be substantially limited.

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

Trading in the Class B Shares underlying ADSs or ADSs in the United States and Argentina, respectively, will use different currencies (U.S. dollars on the New York Stock Exchange ( NYSE ) and pesos on the BYMA), and take place at different times (resulting from different trading platforms, different time zones, different trading days and different public holidays in the United States and Argentina). The trading prices of the Class B Shares underlying ADSs on these two markets may differ

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

*As a foreign private issuer, we will not be subject to U.S. proxy rules and will be exempt from filing certain reports under the Securities Exchange Act of 1934.*

As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act of 1934 (the Exchange Act) related to the furnishing and content of proxy statements, and our officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not be required under the Exchange Act to file annual and current reports and financial statements with the SEC as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act, and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act.

In addition, if a majority of our directors or executive officers are U.S. citizens or residents, we would lose our foreign private issuer status and we would fail to meet additional requirements necessary to avoid such loss. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory for us. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher for us. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We would have to present our financial statements under US GAAP and may also be required to modify certain of our policies to comply with corporate governance practices applicable to U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

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

Under the GCL, if we issue new shares as part of a capital increase, our shareholders may have the right to maintain their existing ownership percentage in the Company through the subscription of a proportional number of shares of the same class in case the capital increase is made in shares of all four of our classes of shares in their respective proportions, or through the subscription of a proportional number of the shares of the class being issued if the relative proportion among the four classes is not respected. Rights to subscribe for shares in these circumstances are known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed shares remaining at the end of a preemptive rights offering on a *pro rata* basis, known as accretion rights.

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According to our Bylaws, in the case of a capital increase through the issuance of all four of our classes of common stock (Class A ordinary shares, Class B Shares, Class C ordinary shares and Class D ordinary shares), accretion rights of the holders of each class shall be limited to the shares of the same class for which there has been no subscription. Also if, after accretion rights have been exercised within the Class B and Class C shares, there are any unsubscribed shares, such unsubscribed Class B or Class C shares, shares may be subscribed by the shareholders of the rest of our classes of common stock, with no distinction, in proportion to the shares of common stock for which such shareholder has subscribed on such occasion.

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

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

*Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.*

We are a foreign private issuer within the meaning of the New York Stock Exchange ( NYSE ) corporate governance standards. Under NYSE rules, a foreign private issuer may elect to comply with the practices of its home country and not comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the exchange. We currently follow certain Argentine practices concerning corporate governance and intend to continue to do so. For example, according to Argentine securities law, our audit committee, unlike the audit committee of a U.S. issuer, will only have an advisory and/or supervisory role, such as assisting our board of directors with the evaluation the performance and independence of the external auditors and exercising the function of our internal control. Accordingly, holders of our ADSs will not have the same protections afforded to shareholders of U.S. companies that are subject to all of the NYSE corporate governance requirements.

*If we were a passive foreign investment company for U.S. federal income tax purposes for any taxable year, U.S. holders of our ADSs could be subject to adverse U.S. federal income tax consequences.*

If we were a passive foreign investment company, (a PFIC ) within the meaning of Section 1297 of the Internal Revenue Code of 1986, as amended, for any taxable year during which a U.S. holder (as defined in Item 10 Additional Information Taxation United States federal income taxes ) holds our ADSs or Class B Shares underlying ADSs, certain adverse U.S. federal income tax consequences may apply to the U.S. holder. We do not expect to be a PFIC for U.S. federal income tax purposes for our current taxable year or the reasonably foreseeable future, although there can be no assurance in this regard. Our possible status as a PFIC must be determined annually and therefore may be subject to change. This determination will depend on the composition of our income and assets, the market valuation of our assets (including, among others, our goodwill) from time to time, and our spending schedule for cash balances and the proceeds of any offering, as well as on the application of complex statutory and regulatory rules that are subject to potentially varying or changing interpretations. Accordingly, there can be no assurance that we will not be considered a PFIC for any taxable year. If we were a PFIC, U.S. holders of our ADSs or Class B Shares underlying ADSs may be subject to adverse U.S. federal income tax consequences, such as taxation at the highest marginal ordinary income tax rates on gains recognized and on certain actual or deemed distributions, interest charges on certain taxes treated as deferred, and additional reporting requirements.

*Changes in Argentine tax laws may adversely affect the tax treatment of our Class B Shares underlying ADSs or ADSs for transactions made until December 31, 2017.*

On September 23, 2013, the Argentine income tax law was amended by the passage of Law No. 26,893 (the Argentine Income Tax Law ). The Argentine Income Tax Law establishes that the sale, exchange or other transfer of shares and other securities is subject to a capital gain tax at a rate of 15% for Argentine resident individuals and foreign beneficiaries. Until the enactment of Law No. 27,430, in force since fiscal year 2018, there was an exemption for Argentine resident individuals if certain requirements were met. However, there was no such exemption for



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non-Argentine residents. For transactions made until December 31, 2017, many aspects of the Argentine Income Tax Law still remain unclear and they are subject to further regulation and interpretation which may adversely affect the tax treatment of our Class B Shares underlying ADSs and/or ADSs. The income tax treatment of income derived from the sale of ADSs or exchanges of shares from the ADS facility may not be uniform under the revised Argentine Income Tax Law. The possibly varying treatment of source income could impact both Argentine resident holders as well as non-Argentine resident holders.

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Law No. 27,430 requires the capital gains tax to be paid for transactions carried out between September 2013 (when taxation on the sale of shares for nonresidents was introduced) and the effective date of the tax reform, providing that no tax, however, will be due for stock exchange transactions as long as the tax has not yet been paid due to the lack of regulations for the withholding or collection by the stock exchange agents or intermediaries. Further regulations are expected to be published. See Item 10 Additional Information Taxation Argentine taxes .

Consequently, holders of our Class B Shares, including in the form of ADSs, are encouraged to consult their tax advisors as to the particular Argentine income tax consequences under their specific facts.

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

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

In addition, a portion of our assets is not subject to attachment or foreclosure, as they are used for the performance of the public service we provide. In accordance with Argentine law, as interpreted by the Argentine courts, assets which are necessary for the provision for an essential public service may not be attached, whether preliminarily or in aid of execution.

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

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**ITEM 4. INFORMATION ON THE COMPANY**

**INTRODUCTION**

*The Company*

We are one of the largest private-sector companies in Argentina in terms of revenues, net income, capital expenditures and number of employees. We have a non-expiring license (the License ) to provide fixed-line telecommunications services in Argentina, mobile telecommunications services, other telephone-related services such as international long-distance and wholesale services, data transmission, IT solutions outsourcing and Internet services.

As from January 1, 2018, after giving effect to the Merger, Telecom Argentina and Cablevisión S.A. have started to operate as a telecommunications convergent provider. The Merger is part of a global process of convergence in the provision of fixed and mobile telecommunications services, video and internet distribution known as quadruple play .

The Merger should allow the combined company to achieve synergies in the development of convergence products that will bring significant benefits for consumers, the sector and the economy in general. In addition, the combination of both companies should boost investment (estimated capital expenditures of approximately US\$ 5,000 million for the next three years) in the most modern infrastructure of mobile technologies as well as the deployment of a high-speed fiber optic network.

In addition, we have amended our bylaws (*Estatutos Sociales*) to permit us to provide audiovisual communications services, and have obtained all required regulatory authorizations and approvals with respect to such amendment.

As of December 31, 2017, (i) Telecom's mobile business had approximately 19.0 million subscribers in Argentina and approximately 2.5 million subscribers in Paraguay, (ii) Telecom's internet business reached approximately 1.7 million accesses, and (iii) Telecom had approximately 3.8 million fixed lines in service, which are equivalent to 355 lines in service per employee.

In 2017, our revenues totaled P\$65,186 million, our net income totaled P\$7,724 million, our Adjusted EBITDA (see the purpose of use of adjusted EBITDA and reconciliation of net income to Adjusted EBITDA in Item 5 Operating and Financial Review and Prospects (A) Consolidated Results of Operations Adjusted EBITDA ) amounted to P\$19,356 million and our total assets were P\$57,588 million.

*The Merger*

*Overview*

On June 30, 2017, Telecom Argentina and Cablevisión S.A. executed a preliminary merger agreement and on October 31, 2017, Telecom Argentina and Cablevisión executed the definitive merger agreement, by which they agreed on the terms on which Telecom Argentina would absorb Cablevisión by merger, which was to be dissolved without liquidation as of the Merger Effective Date, in accordance with the provisions of Sections 82 and 83 of the LGS, and subject to the satisfaction of certain conditions, including regulatory approvals from the ENACOM (the Merger ).

The conditions precedent to the consummation of the Merger were satisfied as of January 1, 2018, and, consequently, the Merger and the Telecom Shareholders Agreement became effective. For more information, see **Item 7 Major Shareholders and Related Party Transactions**.

In accordance with the merger agreement, as of January 1, 2018, Cablevisión merged into Telecom Argentina, with Telecom Argentina as the surviving entity. As a result of the Merger, all of Cablevisión's assets and liabilities were transferred to Telecom Argentina as of January 1, 2018, in accordance with the terms of the definitive merger agreement. Certain administrative procedures related to the Merger are still pending, including the administrative conformity by the CNV and the registration of the Merger with the Argentine public registry of commerce carried out by the *Inspección General de Justicia* in the City of Buenos Aires. We expect that the Merger will allow us to provide

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quadruple play services, combining the provision of fixed and mobile telecommunications services as well as pay television and Internet services, pursuant to the new regulatory framework in effect since January 2018 (for more information about the Merger see Recent Developments ).

*Cablevisión*

Cablevisión is the largest operator of cable television services and data cable transmission systems in Argentina and one of the largest providers of cable services in Latin America in terms of subscribers. Cablevisión engages in the installation, operation and development of cable television and data cable transmission services. It is the largest Multiple System Operator (MSO) in Argentina and Latin America in terms of subscribers.

Cablevisión operates in some of the most populated regions of Argentina and Uruguay, including the Autonomous City of Buenos Aires and the provinces of Buenos Aires, Santa Fe, Entre Ríos, Córdoba, Corrientes, Formosa, Misiones, Salta, Chaco, Neuquén and Río Negro, among others.

As of December 31, 2017, Cablevisión had 3.92 million *clientes únicos* or active customer relationships, of which 60% received broadband services, 89% received cable services and 49% received both services. As of December 31 2017, Cablevisión also had 498,000 mobile post-paid customers. Between 2013 and 2017 Cablevisión's customer base grew by 4%, while ARPU (in Pesos) increased by 243% during the same period. Cablevisión operates under the brands Cablevisión, Fibertel, FiberCorp and Nextel (Nextel Argentina provides trunking telephony and other telecommunications services in Buenos Aires and cities in the provinces of Argentina. Nextel Argentina's service currently focuses on business subscribers in the main cities of Argentina).

We believe that, as of the Merger Effective Date, Cablevisión's cable networks are the most technologically advanced in Argentina and Uruguay. As of December 31, 2017, its networks passed through approximately 7.9 million homes in Argentina and Uruguay (homes are considered passed through if Cablevisión can connect them to its distribution system without further extending the transmission lines). Cablevisión can deliver a two-way bandwidth capacity of more than 750 MHz to approximately 80% of the homes passed through by its networks, reaching approximately 6.3 million homes. Through these networks, Cablevisión offers not only cable services and broadband services but also additional revenue-generating services and products, such as premium services and pay-per-view, as well as high-speed data transmission and Internet access using two-way high-speed cable modems. As of December 31, 2017, Cablevisión served more than 38% of the Argentine pay television market and more than 32% of the Argentine Internet broadband market, in each case in terms of the number of subscribers.

***Merger Integration***

We believe that the combination of the two companies will enhance our ability to better serve our customers as a result of gaining scale and access to innovations that are driving the telecommunication sector, through offering our customers a broad range of products. We expect that combining Cablevisión and Telecom will strengthen our financial position, which should help us to perform the needed investments to continue developing our infrastructure and therefore strengthen our position in the market.

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Joining Telecom and Cablevisión's operations will convert us in one of the largest companies in Argentina and we expect to continue to deploy state-of-the-art wireless and high speed fixed internet networks throughout our service areas.

We also believe the combination of the businesses will allow us to reduce costs as we realize synergies. We expect savings in network rentals and connectivity as we can combine the two existing backbone networks, which have a low level of overlap and are highly complementary.

In addition, we expect to achieve savings in back office services such as billing, collection, and advertising through the implementation of convergent solutions. We will strive to achieve SG&A (Selling, General and Administrative) optimization and reduction in network maintenance costs by combination of field services and network operations capabilities.

On the capital expenditures side, adding the Nextel mobile phone network to Telecom's existing network represents an immediate increase of 20% in the number of available cell sites, which will result in savings in our previously planned investments in infrastructure and equipment installation costs. In addition, due to the overlap of fixed networks in the Northern Area, an optimization is expected in the investments and costs for the planned upgrade of access networks and fiber deployment and we expect to continue to deploy state-of-the-art wireless and high speed fixed internet networks throughout our services area.

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We expect that the combination of product portfolio and commercial capabilities will drive cross selling to the combined customer base and growth in the unserved portion of the eventual quadruple play or fully convergent solution.

Moreover, Cablevisión's fixed coverage in the southern region allows Telecom to increase its retail and corporate sales while it reduces network rental expenses paid to other operators. Finally, incremental revenues are expected by the extension of the duration of the customer or churn reduction, which we believe will occur as a result of a convergent solution.

We believe these factors will help create a leading fully convergent South American independent telecommunications company that will be able to compete with the world-class operators present in the market, in line with global trends in the telecommunications market.

*Telecom Argentina's Business Strategy*

Our long-term business strategy focuses on the continued upgrading of our networks to improve the quality of our services and increase our mobile and broadband business penetration, permitted by Argentina's recently approved regulatory framework oriented towards convergence.

Our priority is to generate value for our customers, investors, suppliers, employees and, from a broader perspective, for the communities in which we operate, by providing services and solutions that improve people's quality of life, education, grant them opportunities for personal development, and by improving the productivity of the economy as a whole.

To achieve these objectives, we prepare and execute business plans consistent with the microeconomic and macroeconomic environment of Argentina and the telecommunications and technology market, investing both in the development of innovative products and services, as well as in the professional development of our employees, with the aim of adding value to our customers experience with content, interactivity and convenience in communication.

Our strategy prioritizes the digitalization of our operations, focusing on human capital development, organizational culture, general and transformational processes, technological tools and key factors for achieving competitiveness and ensuring the long-term sustainability of our business. Additionally, we strategically focus on being a facilitating tool for our customers, both in their corporate and business segments, as well as developing, providing and prioritizing solutions and digital services in our *nube* (cloud services), which is provided through our four state of the art data centers and serves, and is an essential node of our next-generation networks, fulfilling our customers' demand for quality, safety and availability. Our portfolio of solutions will evolve with the incorporation of new services such as big data and IoT (Internet of things), focusing on industry pillars such as agroindustry, finance, manufacturing, health and government, among others.

As part of our commitment with local entrepreneurs, we also focus on incubating and accelerating new business developments, investing in projects led by Argentine entrepreneurs and materializing ideas into businesses by providing technological solutions to small and medium-sized Argentine companies which will enable these companies to grow and develop.

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Residences have historically been the principal environment through which the services we offer are delivered to, and consumed by, our end-user customers. To this day, our strategy consists on focusing on our customers' homes as the main channel to deliver the convergence of the solutions we offer, including equipment and sensors services, as well as other Value Added Services. In particular, we focus on delivering home services solutions that integrate access to video platforms, applications, social networks, digital content in various formats, e-commerce and entertainment.

Investing in technology is one of the milestones of our strategy, as we are focused on (i) the coverage and capacity of our infrastructure and (ii) new service platforms with better quality to meet the increasing needs and demands created by traffic and bandwidth due to new consumer habits and the expansion of our customer base. Investing in cutting-edge technologies ensure us that we will be able to provide products and services that are prepared for our customers future needs and demands.

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Our strategic priorities are customer centered, focused on innovation, and the pursuit of operational excellence. We plan to support our business growth with experienced and professional management, transforming processes by focusing on customer centered and innovation as the pillar of self improvement, and creativity to transform our traditional businesses, while at the same time capturing opportunities to offer new services to our individual and business customers.

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

Following the consummation of the Merger and the integration of Cablevisión into our operations, our long-term strategy also includes the following important elements:

- ***Pursue additional growth from our mobile services and by expanding our Wi-Fi network.***

We intend to continue to facilitate internet connectivity any time and anywhere for our customers. Since 2014, Telecom invested heavily to deploy the most modern and solid 4G network in Argentina, and following the Merger we will continue to invest in mobile infrastructure deployment with an aggressive capital expenditures plan in networks. In addition, in 2012, Cablevisión launched Fibertel Zone, the first Wi-Fi circuit in Argentina, through its fixed fiber optic networks. Users can access a Wi-Fi network free of cost at the best speeds available in bars, restaurants, movie theaters, gyms and parks, among other public spaces. Cablevisión's Wi-Fi network reached approximately 2,100 outside wireless access points in high-usage areas during 2017. We will continue to offer this service (which was offered by Cablevisión before the Merger) to both Fibertel's customers and non-customers, granting our customers additional benefits, such as faster speeds, priority in surfing and connection without time limit.

- ***Increase our internet bandwidth penetration and expand our Internet bandwidth services.***

We will seek to expand our broadband internet subscriber base by emphasizing our bandwidth capabilities and compelling value offer. We intend to continue to provide and offer bandwidth connectivity to our existing customers of cable television, mobile and fixed-line services, and to new customers, offering higher speeds and more value at competitive prices. We intend to increase our share of new broadband internet customers and add subscribers from our competitors by launching new products and services with faster speed options tailored to customers evolving needs, such as the increasing demand for higher speed bandwidth whether at customers' homes or outside their homes.

We will seek to preserve and enhance customer loyalty of our subscriber base by continuing to offer a high-quality bandwidth service with the best selection of speeds in the market at competitive prices. We plan to continue upgrading our 4G (LTE) network coverage and capacity and intend to increase our two-way coverage in the fixed line, in addition, we have incorporated technology that allows for the addition of high-bandwidth data transfer to an existing cable television (CATV) system (known as Data Over Cable Service Interface Specification or Docsis 3.0). We are also currently in the process of upgrading our network to 1 Ghz with Docsis 3.1 technology.

- ***Increase our cable television penetration by offering digital TV and other premium digital cable services.***

We seek to expand our cable television subscriber base by providing innovative premium digital services. We plan to continue up-selling premium digital cable services to our existing customer base and provide innovative multimedia and entertainment service packages to existing and new customers in new areas. We have enhanced our TV product by introducing additional HD channels and premium subscription channels that we offer in packages. We seek to make the greatest amount of content available to customers through the most diverse range of devices, enabling customers to access TV programming from any device at any time. By introducing an innovative OTT online platform, known as Cablevisión Flow, we will seek to increase customer satisfaction and loyalty. This online platform service complements Cablevisión's video-on-demand (VOD) legacy service through time shift TV services, integral searcher, personalized recommendation engine and cloud DVR, and provide our customers access to a broad library of content such as movies, shows and live sport events.

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- ***Continue to seek opportunities for growth.***

In addition to organic growth, we have expanded our business through acquisitions. If, as a result of the change in the regulatory framework, opportunities for consolidation in the telecommunications industry arise, we may consider opportunities that we believe may add value to our shareholders and are compatible with our business strategy.

- ***Maintain focus on operational excellence and emphasize customer service.***

We believe that customer satisfaction is key to the development and growth of our brand. We continuously monitor our customers' perception of the quality of our services. We closely monitor key performance indicators to assess our operational processes, sales and marketing efficiency and the reliability of our infrastructure. To enhance customer loyalty, we maintain training and development programs for our sales force and call center agents.

- ***Targeted focus on individual customers and Home Convergence.***

We recognize that the various individual members of any household have a unique set of needs and preferences. As a result we will continue to provide a tailored and targeted offering to our customers in order to satisfy our clients' needs in every step of their lives, rather than focusing on household units in a generalized manner. Since single households may have multiple screens, we will seek to tailor our programming and services to meet the demands of each individual customer.

- ***Expand our corporate businesses and branding.***

We will seek to continue developing our corporate businesses through our brands *Telecom Empresas* and *FiberCorp*, seizing the operational advantages of economies of scale created by the capabilities of our fiber optic network, providing connectivity, cloud storage, virtualization sharing, housing and hosting to the corporate sector.

- ***Maintaining and increasing our focus on innovation.***

Our fiber optic systems and our 4G (LTE) network in Argentina have the advantage of greater capacity and reliability, resistance to electrical interference and cost reductions. These systems can be readily adjusted to accommodate technological developments. We will continue to make investments in our systems and infrastructure, and commit resources to maintain our business on the cutting edge of technological advances and innovation.

*Organizational Structure*

The chart set forth below show our general consolidated corporate structure as of December 31, 2017:

- (a) Dormant entity as of and for the fiscal years ended December 31, 2017 and 2016.
- (b) Non-controlling interest of 32.50% is owned by the Paraguayan company ABC Telecomunicaciones S.A.
- (c) Remaining 1% is owned by the Paraguayan company ABC Telecomunicaciones S.A.
- (d) The Non-controlling interest of 22.75% is owned by the Paraguayan company ABC Telecomunicaciones S.A and 30% is owned by TU VES S.A. (Chile). On June 30, 2017, the transaction by which Núcleo acquired the 70% of shares and votes of Tuves Paraguay was performed.



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The chart set forth below show our general consolidated corporate structure as of January 1, 2018, after giving effect to the Merger, showing the most significant companies and the companies controlled in countries other than Argentina:

*Revenues generated by each company in the Telecom Group*

The following table presents information relating to the percentage of revenues and other income, net of intercompany transactions, generated by each operating segment in the Telecom Group during the year ended December 31, 2017:

Operating Segment (1)	Activity	Segment	Percentage of Telecom's Total Revenues and other income (5)
Telecom Argentina S.A.	Fixed Services	Fixed services	30.93
Telecom Personal S.A.	Mobile Services	Personal Mobile Services	63.99
Núcleo S.A. (2)	Mobile Services	Núcleo Mobile Services	4.32
Personal Envíos S.A. (2)	Financial Mobile Services	Núcleo Mobile Services	0.06
Tuves Paraguay S.A. (3)	Television signal distribution	Núcleo Mobile Services	0.20
Telecom Argentina USA Inc.	International Wholesale Services	Fixed Services	0.50
Micro Sistemas S.A. (4)		Fixed Services	
<b>Total</b>			<b>100.00</b>

(1) Personal and Micro Sistemas are incorporated in Argentina, Núcleo, Envíos and Tuves Paraguay are incorporated in Paraguay and Telecom Argentina USA is incorporated in the United States.

(2) Non-controlling interest of 32.50% is owned by the Paraguayan company ABC Telecomunicaciones S.A.

(3)

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On June 30, 2017, Núcleo acquired the 70% of shares and votes of Tuves Paraguay. Non-controlling interest of 22.75% is owned by the Paraguayan company ABC Telecomunicaciones S.A and 30% is owned by TU VES S.A. (Chile).

- (4) Dormant entity as of December 31, 2017.
- (5) Includes service revenues, equipment sales and other income with third parties.

Our principal executive offices are located at Alicia Moreau de Justo 50, C1107AAB, Buenos Aires, Argentina, telephone number: 54-11-4968-4000.

Our authorized agent in the United States for SEC reporting purposes is Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19711.

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***Recent Developments***

Fintech Telecom LLC, was the controlling company of Telecom Argentina until December 31, 2017. As of the date of issuance of this Annual Report, CVH can be considered to have acquired control of Telecom Argentina following effectiveness of the Merger and of the Telecom Shareholders Agreement on January 1, 2018 (See The Merger ).

*Telecom Argentina s Board of Directors called for the Annual Shareholders Meeting*

Telecom Argentina s Board of Directors, at its meeting held on March 19, 2018, convened an Ordinary Shareholders meeting to be held on April 25, 2018, to consider among other issues the allocation of Telecom Argentina s retained earnings as of December 31, 2017, net of P\$5,640,728,444 distributed in advance, that is to say P\$1,989,254,041, and the allocation of Cablevisión s retained earnings as of December 31, 2017 net of P\$4,502,777,155 distributed in advance, that is to say P\$1,311,975,449.

The proposal of the Board of Directors is to: (i) ratify the advance distribution of dividends of P\$5,640,728,444 resolved by the Board at its meeting of January 31, 2018, based on the Special-purpose Unconsolidated Financial Statements of Telecom Argentina as of September 30, 2017; (ii) allocate P\$1,989,254,041, to set up the Voluntary reserve for future dividends payments ; and (iii) delegate power to Telecom Argentina s Board of Directors so that, based on the evolution of the business, it may determine the withdrawal, in one or more times, of an amount up to P\$994,627,020 from the Voluntary reserve for future dividends payments for distribution to the shareholders as cash dividends, enabling such delegated powers to be exercised until December 31, 2018. With respect to Cablevisión s retained earnings, the proposal of the Board of Directors is to: (i) ratify the advance distribution of dividends of P\$4,502,777,155 resolved by the Board at its meeting of January 31, 2018, based on the Special-purpose Unconsolidated Financial Statements of Cablevisión as of September 30, 2017; (ii) allocate P\$1,311,975,449, to set up a Facultative Reserve to Maintain the Level of Investments in Capital Goods and the Current Level of the Company s Solvency.

*Amortization of Sofora Shares*

In March 2017, Sofora accepted WAI s offer to amortize in two tranches 140,704,640 shares of Sofora owned by WAI, in accordance with the provisions of Sections 223 and 228 of the GCL. As a result of the amortization, Sofora agreed to pay WAI an amount equal to the par value of WAI s shares of capital stock issued by Sofora (\$140,704,640), and to issue to WAI one or more dividend certificates ( Class A Bonos de Goce ) evidencing WAI s right to receive US\$461.3 million out of any dividends paid by Sofora going forward.

On May 23, 2017, Sofora amortized 74,749,340 of its shares owned by WAI, representing 17% of Sofora s capital stock. In connection with that first amortization, Sofora paid WAI \$74,749,340 and issued a Class A Bono de Goce to WAI which granted its holder the right to receive US\$ 245.0 million out of any dividends paid by Sofora thereafter. In addition, the members and alternate members of the Board of Directors and of the Supervisory Committee of Telecom Argentina, Personal, Nortel and Sofora appointed by WAI tendered their resignations. On June 6, 2017, our shareholders appointed two directors, two alternate directors, one member of the Supervisory Committee and one alternate member of the Supervisory Committee to complete the term of duties of the resigning members and alternate members of our Board of Directors and our Supervisory Committee.



Upon obtaining ENACOM's approval of the Reorganization, on June 22, 2017, Sofora amortized the remaining 65,955,300 shares owned by WAI, representing 15% of Sofora's capital stock prior to the amortization of common shares agreed with WAI. As a result of this amortization, Sofora paid WAI \$65,955,300 and issued an additional Class A Bono de Goce which granted its holder the right to dividends in the amount of US\$ 216.3 million out of any dividends paid by Sofora thereafter.

As of the date of this Annual Report, the Class A Bonos de Goce have collected the full amount of dividends that they had the right to collect.

*The Reorganization*

On March 31, 2017, Sofora, Personal and Nortel and Telecom Argentina entered into a preliminary reorganization agreement (the Preliminary Reorganization Agreement) and on November 13, 2017, executed the definitive reorganization agreement (the Definitive Reorganization Agreement). Under the terms of the Preliminary Reorganization Agreement and the Definitive Reorganization Agreement, Telecom Argentina agreed to absorb Nortel, Sofora and Personal which would be dissolved without liquidation pursuant to the provisions of sections 82 and 83 of the GCL.

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The effectiveness of the Reorganization was subject to certain conditions which were complied with and the Reorganization became effective on December 1, 2017 and on that date each of Sofora, Personal and Nortel effectively transferred their operations and activities and their assets and liabilities to Telecom Argentina in accordance with the terms of the Preliminary Reorganization Agreement and the Definitive Reorganization Agreement.

As a result of the Reorganization, Telecom Argentina succeeded in all rights, obligations and responsibilities of any nature to Personal, Sofora and Nortel, which were dissolved without liquidation. Telecom Argentina assumed all of Sofora's obligations under the Class A Bonos de Goce and all of Personal's obligations under the notes issued under its Medium Term Notes Global Program. As of the date of this Annual Report, the Class A Bonos de Goce have collected the full amount of dividends to which they were entitled. The balance of Personal's Series II, III and IV notes as of December 31, 2017 amounted to approximately P\$2,344 million (including accrued interests). The Series I notes were paid in full on their due date.

On March 21, 2018, the Reorganization and the dissolution without liquidation of each of the absorbed companies were registered with the IGJ.

Pursuant to the Reorganization:

- (i) 340,994,852 Class A Common Shares of Telecom Argentina were distributed to Fintech as the only holder of Sofora Common Shares,
- (ii) 161,039,447 Class A of Telecom Argentina were converted into Telecom Argentina Class B Common Shares,
- (iii) the Class B Common Shares of Telecom Argentina owned by Nortel (including any Class B Shares resulting from the conversion mentioned above) were distributed to the holders of Nortel Series B preferred Shares.

Telecom Argentina did not issue any new Class B Common Shares or Class A Common Shares in connection with the Reorganization. For more information see Item 7 Major Shareholders and Related Party Transactions.

*The Merger*

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On June 30, 2017, Telecom Argentina and Cablevisión S.A. executed a preliminary merger agreement providing that Telecom Argentina would absorb Cablevisión, which was to be dissolved without liquidation as of January 1, 2018 (the Merger Effective Date), in accordance with the provisions of Sections 82 and 83 of the GCL, subject to prior satisfaction or waiver of certain conditions stated in the Preliminary Merger Agreement, including certain regulatory approvals (the Merger).

All the conditions to which the Merger was subject were satisfied and the Merger was consummated on January 1, 2018. As of the date of this Annual Report, the Merger is pending administrative conformity from the CNV and registration with the IGJ. For more information see Item 7 Major Shareholders and Related Party Transactions.

In addition, pursuant to the Preliminary Merger Agreement, Telecom Argentina assumed all of Cablevisión's obligations under its US\$500,000,000 6.500% Senior Notes due 2021, issued under its Global Notes Program.

In connection with the Preliminary Merger Agreement and the Final Merger Agreement and the notification received from Fintech Telecom and Fintech Media LLC (Fintech Media) on December 29, 2017 informing of a corporate reorganization process by which Fintech Media and VLG Argentina Escindida LLC (a spin-off of VLG Argentina LLC) merged into Fintech Telecom with effect on the Merger Effectiveness Date, the new Class A and Class D shares to be issued by Telecom Argentina pursuant to the terms of the Merger were delivered as follows: (i) to Fintech Telecom LLC: 342,861,748 Class A shares; (ii) to Cablevisión Holding S.A.: 406,757,183 Class D shares; and (iii) to VLG Argentina LLC: 434,909,475 Class D shares.

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Telecom Argentina's capital stock as of January 1, 2018 was comprised of the following:

Shares	Outstanding shares	Treasury shares	Total capital stock
Class A	683,856,600		<b>683,856,600</b>
Class B	627,930,005	15,221,373	<b>643,151,378</b>
Class C	234,748		<b>234,748</b>
Class D	841,666,658		<b>841,666,658</b>
<b>Total</b>	<b>2,153,688,011</b>	<b>15,221,373</b>	<b>2,168,909,384</b>

For more information see Item 7 Major Shareholders and Related Party Transactions .

*Acquisition of Cubecorp Argentina S.A. ( Cubecorp )*

In July 2008, Telecom Argentina acquired 100% of the shares of Cubecorp. With this acquisition, Telecom Argentina strengthened its Data Center services, as the Data Center acquired is equipped with world class infrastructure, which permits to offer clients with high reliability, availability and scalability customized to their needs.

In March 2009, the Board of Directors of Cubecorp and Telecom Argentina approved a preliminary merger agreement, by which Cubecorp would merge into Telecom Argentina and Cubecorp would be dissolved without liquidation.

On October 12, 2017, the CNV granted its administrative conformity to such merger and on February 27, 2018, the dissolution without liquidation of Cubecorp and the merger with Telecom Argentina were recorded with the Argentine Public Registry of Commerce carried by the *Inspección General de Justicia* in the City of Buenos Aires.

*Withdrawal of the Voluntary reserve for future dividends payments*

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

1. The reversal of P\$9,729,418,019 of the *Voluntary reserve for future dividends payments* of Telecom Argentina as of December 31, 2017, and its distribution as cash dividends in two installments: (i) P\$2,863,000,000 on February 15, 2018 and (ii) P\$6,866,418,019 on March 21, 2018 (as subsequently decided at the Board of Directors Meeting held on March 7, 2018).

2. The distribution of P\$5,640,728,444 as interim cash dividends under the provisions of section 224, 2nd paragraph of the GCL, corresponding to the net distributable profit of the period ranging from January 1, 2017 to September 30, 2017 as it arises from the Special-Purpose Unconsolidated Financial Statements of Telecom Argentina as of September 30, 2017, which were settled on February 15, 2018; and

3. The distribution of P\$4,502,777,155 on account of interim cash dividends under the provisions of section 224, 2nd paragraph of the GCL, corresponding to the net profit (liquid and realized) of the period ranging from January 1, 2017 to September 30, 2017 as it arises from the Special-Purpose Unconsolidated Financial Statements of Cablevisión S.A.-absorbed by Telecom Argentina- as of September 30, 2017, which were settled on February 15, 2018.

*Payment by Telecom Argentina of dividends declared by Cablevisión*

On January 8, 2018, Telecom Argentina, as successor to Cablevisión prior to the Merger effective date, paid dividends declared by Cablevisión on December 18, 2017, in an amount of P\$4,077,790,056.

*Syndicated Term Loan*

On February 2, 2018, the Company entered into a term loan agreement (the *Term Loan Agreement*) with a consortium of international banks for an aggregate principal amount of \$1,000 million. On February 9 and March 9, 2018, the Company borrowed \$650 million and \$350 million (the *Loans*), respectively, under the *Term Loan Agreement*. The *Loans* mature in February 2019. The

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proceeds of the Loans were used to finance capital expenditures, working capital and other general corporate purposes. The Loans bear interest at an annual rate equivalent to LIBOR plus the following margins: 1.25 percentage points during the first four months, 1.50 percentage points, during the following two months, 1.75 percentage points during the following three months and 2.25 percentage points during the last three months prior to the maturity date. Interest is payable quarterly or semiannually, at the Company's option. The aggregate principal amount of the Loans is due at maturity. The Company is permitted to make voluntary prepayments at any time without premium or penalty. The Company is required to make prepayments under the Loans (without payment of a premium) with net cash proceeds from bilateral or syndicated bank financings in excess of \$500 million, or underwritten offerings or private placements of any non-Peso denominated debt securities of the Company governed by a law other than the laws of Argentina with a tenor of at least three years. The Company is also required to prepay the Loans upon the occurrence of a change of control, at each lender's option.

The Term Loan Agreement contains customary representations and warranties, events of default and affirmative and negative covenants, including covenants related to financial statements and other information, notices of material events, conduct of the business, payment of taxes, maintenance of properties and insurance, submission to certain inspections, compliance with laws and further assurances, as well as limitations on the ability to incur or suffer any security with respect to certain indebtedness and assets, to enter into transactions with affiliates to the extent they are not entered on an arms-length basis, to make accounting changes or to make changes to the Company's line of business. Among others, an event of default is triggered if the Company breaches payment of any obligation equal or greater to \$100 million. As of the date of this Annual Report, the aggregate principal amount of \$1,000 million remains outstanding.

*Acquisition of CV Berazategui S.A. ( CV Berazategui )*

On April 4, 2018, the Company acquired shares representing 30% of the capital stock and votes of CV Berazategui constituted in Argentina, for a total amount of approximately US\$ 9.0 million. The remaining 70% of the capital stock and votes of CV Berazategui are owned by PEM S.A., a company controlled by Telecom Argentina.

CV Berazategui is a licensee of Broadcasting Services provided by Subscription through Physical Link, license which was originally granted by Resolution N°630/COMFER/91, and provides the service in the Berazategui Department, Province of Buenos Aires to 21,392 Cable TV (CATV) subscribers and 7,190 broadband subscribers.

***History***

Telecom Argentina was created by Decree No. 60/90 of the PEN dated January 5, 1990, and incorporated as Sociedad Licenciataria Norte S.A. on April 23, 1990. In November 1990, its legal name was changed to Telecom Argentina STET-France Telecom S.A. and on February 18, 2004, it was changed to Telecom Argentina S.A.

Telecom Argentina is organized as a corporation (*sociedad anónima*) under Argentine law. The duration of Telecom Argentina is 99 years from the date of registration with the IGJ (July 13, 1990). Telecom Argentina conducts business under the

commercial name Telecom.

Telecom Argentina commenced operations on November 8, 1990 (the Transfer Date ), upon the transfer from the Argentine government of the telecommunications system in the Northern Region previously owned and operated by ENTel. This transfer was made pursuant to the Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees (the Privatization Regulations ), which specified the privatization procedure for ENTel.

The Privatization Regulations provided for:

- the division of the Argentine telecommunications network operated by ENTel into two regions, the Northern Region and the Southern Region of Argentina;
- the granting to Telecom Argentina and Telefónica of non-expiring licenses to provide basic telecommunication services in the Northern Region and Southern Region, respectively;

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- the granting to Telintar and Startel, each joint subsidiaries of Telecom Argentina and Telefónica, of non-expiring licenses to provide international long-distance and data transmission, respectively; and
- the transfer by ENTel of substantially all of its assets and certain contracts into Telecom Argentina, Telefónica, Telintar and Startel.

On the Transfer Date, pursuant to the terms and conditions of a transfer contract (the Transfer Agreement), the Argentine government sold 60% of the common stock of Sociedad Licenciataria Norte S.A. to Nortel, a holding company formed by a consortium of investors including Telecom Italia, among others.

Pursuant to the Privatization Regulations, 10% of Telecom Argentina's common stock was transferred as Class C Shares to a Share Ownership Plan for certain former employees of ENTel and Compañía Argentina de Teléfonos S.A. by the Argentine government, and the remaining 30% of Telecom Argentina's common stock was sold to investors, principally in Argentina, the United States and Europe, in an offering completed in March 1992. A portion of the shares in the Share Ownership Plan has been sold in the public market, and the remaining shares resulting from the Share Ownership Plan are being gradually converted into Class B Shares. See Item 6 Directors, Senior Management and Employees Share Ownership Share Ownership Plan.

Until November 30, 2017, Nortel was our direct controlling shareholder with 54.74% of Telecom Argentina's total capital. 100% of Nortel's ordinary capital belonged to Sofora. Sofora's shares belonged to Fintech, our indirect controlling shareholder (68%) and to W de Argentina Inversiones (32%) before the Amortization of Sofora Shares, described above.

As of December 1 2017, as a result of the Reorganization becoming effective, Fintech became Telecom Argentina's direct controlling shareholder.

Fintech, a Delaware (United States) limited liability company, is a wholly-owned direct subsidiary of Fintech Advisory Inc. and its primary purpose is to hold, directly and indirectly, the securities of Telecom Argentina. Fintech Advisory Inc., a Delaware (United States) corporation, is directly controlled by Mr. David Martínez. Fintech Advisory Inc. is an investor and investment manager in equity and debt securities of sovereign and private entities primarily in emerging markets.

Cablevisión Holding S.A. is an Argentine corporation and its primary purpose is to hold capital stock in corporations whose object and purpose is to provide Information and Communication Technology Services (ICT Services) and to provide Audiovisual Communication Services (ICT Services). Its controlling shareholder, in turn, is GC Dominio S.A, another Argentine corporation.

**THE BUSINESS**



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The following description is current as of December 31, 2017 and does not include a description of the business of Cablevisión S.A., which merged with Telecom Argentina effective as of January 1, 2018.

### **Liberalization of the Argentine Telecommunications Industry**

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

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

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

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

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

**General**

During the year 2017, we conduct our business through seven legal entities, each representing a distinct operating segment. We aggregate these operating segments into three segments Fixed Telecommunications Services ( Fixed Services ), Personal Mobile Telecommunications Services ( Personal Mobile Services ) and Núcleo Mobile Telecommunications Services ( Núcleo Mobile Services ) according to the type of products and services provided and taking into account the regulatory and economic framework under which each entity operates.

The companies we aggregated to create the segments are as follows:

Segment	Consolidated Company/Operating Segment
Fixed Services	Telecom Argentina Telecom Argentina USA Micro Sistemas (1)
Personal Mobile Services	Personal (2)
Núcleo Mobile Services	Núcleo (3) Envíos (3) Tuves Paraguay (4)

(1) Dormant entity as of December 31, 2017.

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- (2) Until November 30, 2017, Telecom Argentina owned 100% of Personal. Since December 1, 2017 the Reorganization was effective and from that date, mobile services provided by Personal are continued by Telecom.
- (3) Non-controlling interest of 32.50% is owned by the Paraguayan company ABC Telecomunicaciones S.A.
- (4) Non-controlling interest of 22.75% is owned by the Paraguayan company ABC Telecomunicaciones S.A and 30% is owned by TU VES S.A. (Chile). On June 30, 2017, the transaction by which Núcleo acquired the 70% of shares and votes of Tuves Paraguay was performed.

### *Fixed Services.*

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

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- *Basic Telephone Services.* Telecom Argentina provides Basic Telephone Services, including local, domestic and international long-distance telephone services and public telephone services. As of December 31, 2017, Telecom Argentina had approximately 3.8 million of lines in service;
- *Interconnection services.* Telecom Argentina provides interconnection services, which primarily include Access, termination and long-distance transport of calls;
- *Data transmission and Internet services.* Telecom Argentina provides data transmission and Internet services, including traditional Broadband, Internet dedicated lines, private networks, national and international video streaming, transportation of radio and TV signals and videoconferencing services. As of December 31, 2017, Telecom Argentina had approximately 1.7 million Internet subscribers;
- *Information and Communication Technology Services.* Telecom Argentina provides ICT services, datacenter services, telecommunications consulting and value-added solutions;
- *Other telephone services.* Other services provided by Telecom Argentina include supplementary services such as call waiting, call forwarding, conference calls, caller ID, voice mail, itemized billing and maintenance services; and
- *Sale of equipment.*

***Personal Mobile Services and Núcleo Mobile Services.***

We provide mobile services in Argentina and through our subsidiary in Paraguay.

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

We also provide mobile services in Paraguay through our subsidiary Núcleo.

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As of December 31, 2017, we had approximately 19.0 million mobile subscribers in Argentina and Núcleo had approximately 2.5 million subscribers in Paraguay.

See Note 28 to our Consolidated Financial Statements and Item 5 Operating and Financial Review and Prospects Years ended December 31, 2017, 2016 and 2015 (B) Results of Operations by Segment for additional information as to our results of operations by segment.

### Fixed Services

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

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

#### *Telecom Argentina's Telephone Network*

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

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

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Number of lines in service (1)	3,795,327	3,919,577	4,042,624	4,093,038	4,123,795
Net (Reductions)/Additions in lines in service for the year	(124,250)	(123,047)	(50,414)	(30,757)	(4,063)
Net (Reductions)/Additions in lines in service cumulative	2,393,358	2,517,608	2,640,655	2,691,069	2,721,826
Pending applications (2)	76,933	75,300	64,093	75,213	91,950

(1) Includes lines customers, own usage, public telephony and ISDN channels.

(2) Corresponds to lines requested by clients, but not yet installed.



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The following table illustrates the evolution of Internet services:

	2017	2016	December 31, 2015	2014	2013
Fixed Internet access lines	1,744,169	1,737,534	1,813,590	1,771,050	1,706,787
Arnet subscribers	1,756,622	1,725,609	1,791,030	1,749,111	1,686,982

Arnet customer base increased by 2% in 2017, decreased by 4% in 2016 while it increased by 2% and 4% in 2015 and 2014, respectively.

**Revenues**

Fixed services include, among other charges, monthly charges, measured service charges, installation charges, public telephone services and interconnection services related to essential facilities. The prices for these services were regulated by rules governing our license, which established maximum prices that could be charged to clients. Telecom Argentina was able to charge prices below the maximum regulated prices as long as the discount was applied equally to clients who share the same characteristics (under the so-called principle of non-discrimination). In accordance with this ability, Telecom Argentina charged lower prices than the maximum regulated prices for certain of the services offered. Since the enactment of the LAD it was established that licensees of ICT services may freely set their prices. See Regulatory and Legal Framework Regulatory Framework Law No. 27,078 Argentine Digital Law.

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

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

*Monthly Charges.* Telecom Argentina bills a monthly charge to its customers. As of December 31, 2017 approximately 83% of lines in service were for residential customers and public telephony (82% in 2016) and approximately 17% were for corporate and government customers (18% in 2016). Additionally, due to the regulatory regime, Telecom Argentina is obligated to offer discounts to certain retired individuals and low-consumption residential customers.

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

During 2017 and 2016, the volume of local minutes decreased by approximately 19.3% and 13.9%, respectively, due to the strong growth in mobile telephony and the resulting migration of traffic to mobile service.

Total volume of domestic long-distance minutes also decreased by approximately 16.9% and 13.2% in 2017 and 2016, respectively. Ever since the Northern Region was opened to competition in 1999, Telecom Argentina has maintained its position as the regional market leader for domestic long-distance traffic.

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Revenues from local and domestic long distance traffic also decreased during 2017, associated both to the lower traffic volume abovementioned and to the gradual migration of clients toward the new offer Arnet + Voz , which includes internet and unlimited local and national calls for a fixed monthly charge.

*International Long-Distance Service.* International long-distance traffic minutes decreased approximately 43.8% in 2017 and 49.9% in 2016. Since 1992, international rates have been reduced annually as a consequence of the application of the Price Cap described in Regulatory and Legal Framework Regulatory Framework Renegotiation of the contract with the public administration Telecom Argentina also has reduced international long-distance prices in order to compete with the new providers of long-distance calling services.

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

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

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

Broadband can be delivered through three technologies: cable Modem, ADSL and wireless; cable Modem and ADSL being the most widely used. Telecom Argentina markets its ADSL service through its Arnet brand and in partnership with other Internet services providers.

As of December 31, 2017, we reached approximately 1.7 million accesses. During 2017, our efforts to communicate effectively with our customers and special offers with competitive prices according to segment helped us to maintain the leadership of our products under the brand Arnet. In November 2016, Telecom launched the new offer Arnet + Voz providing Internet and unlimited local and national calls, as part of a bundled package. During 2017, we announced its first convergent offer of the market called Combo Unico , offering a bundle, including Internet services, fixed line telephony and mobile connectivity, with a differential and convenient price. This new offer was consolidated during 2017.

Continuing the evolution of Internet access services, during the year 2017 services focused on offering higher speed access to customers, with the deployment of UBB and technologies that replace copper with fiber optics in different points of the network (FTTC, FTTB and FTTH).The number of customers with UBB has grown 106% in 2017, increasing the average speed of the customer base.

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

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

*b) Corporate Customers*

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

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

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The data services business includes nationwide data transmission services, virtual private networks, symmetric Internet access, national and international signal transport and videoconferencing services. These services are provided mainly to corporations and governmental agencies. Telecom Argentina also provides certain Value Added Services, including electronic standard documents telecommunication software exchange and fax storage and delivery service. The data services business also includes the lease of networks to other providers, telecommunications consulting services, operation and maintenance of telecommunications systems, supply of telecommunications equipment and provision of related services. Corporate data transmission services are mainly Ethernet and IP services.

During 2017, we maintained our efforts in ICT solutions and the sale of data services and dedicated Internet accesses. This strategy is supported by the world class multi-site network of datacenters focused on communications, with over 7,000 square meters used to keep computer technology services throughout Argentina. Through this infrastructure, we offer a broad services portfolio including dedicated hosting and housing, connectivity, cloud services which enable our customers to optimize their costs by increasing the security of their information and avoiding hardware and software obsolescence issues. All the services are provided with support, security, connectivity and the ability to engage further management, professional, monitoring, storage and backup services.

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

The main solutions and businesses developed in recent years and which continued during 2017 included:

- Expansion of the truncated digital communications system for the Autonomous City of Buenos Aires Police force, the Emergency Medical Care System, and the subways.
- Installation of a security service in the public transport (buses) of the Autonomous City of Buenos Aires.
- IP connectivity services, installation of dark fiber for broadcast, Network Security Services and Datacenter for the 2019 Youth Olympic Games.
- Extension and renegotiation of 911 systems for public safety management in a province of the Litoral region.
- A datacenter solution in alliance with Oracle, to optimize operation in databases for a supply chain management company.

- Launch of the solution connected-car in association with Chevrolet, integrating the Jasper service. Jasper is a platform for the administration of IoT services which allows both Telecom and the client to configure the accounts, to create automation rules, and to generate reports in order to measure traffic volume, among other variables.
- Datacenter services for a leading company in the food industry including connectivity, equipment and maintenance.
- Implementation of a solution for unified communications, networking, collaboration and firewall, with CISCO technology and equipment, for an insurance company.

c) *Wholesale*

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

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

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

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

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

Operating revenues from international long-distance service depend on the volume of traffic and the prices charged by each party under agreements between the Argentine provider and foreign telecommunications carriers. Settlements among carriers are usually made on a net basis. Incoming traffic with carriers measured in minutes accounted for 265 million minutes in 2017 and 329 million minutes in 2016.

Telecom Argentina is connected to international telecommunications networks, mainly through the following submarine Fiber Optic cables: Columbus 3 (Europe), Atlantis 2 (Argentina - Brazil - Europe), Sea-Me-We 3 (Europe - Asia), Bicentenario (Argentina - Uruguay), Latin American Nautilus (LAN), PanAm (Argentina - Caribe) and other minor cables.

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

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a reliable service these IP Transit is provided by two capacity providers in a redundancy geographical path (Latin American Nautilus and Telxius Cable Argentina).

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

Telecom Argentina USA, routes the majority of its wholesale traffic through its own switching capabilities. In 2017, Telecom Argentina USA, continued operating a Node of high-definition video in Miami, thus extending the Telecom video matrix to the international market.

### *Network and Equipment*

Our network strategy, for the medium- and long-range terms, focuses fulfilling services demands, improving our customers' experience and promoting technology evolution.

With respect to the core network, we seek for continuously increment capacities and availability of the services offered to our customers. In addition, we continued implementing protocols and network architectures standardization, which allow us a more efficient operation and maintenance, with costs reduction on those activities.

With respect to the access networks, strategy aims to satisfy the increasing broadband demanded for the services, mainly for downloading video and multimedia content from Internet access. In that sense, we continue the extension of access fiber optics infrastructure, in different modalities and technologies, which have been optimized according services demands and geographic locations.

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**Personal Mobile Services and Núcleo Mobile Services**

We provide mobile services in Argentina and through our subsidiary in Paraguay.

***Mobile Telecommunication Services in Argentina Personal Mobile Services***

The market for mobile telecommunications services in Argentina is characterized by intense competition. Operators are generally free from regulation to determine the pricing of services. There are currently three mobile operators offering nationwide service. According to the statistics published by the ENACOM, the penetration of mobile service in Argentina has reached approximately 141.9% of the population in 2015, 146.2% in 2016 and approximately 141.1% in the third quarter of 2017. This information regarding penetration of mobile service is an estimate, based on demographic data from 2010 national census as there are no official statistics published in Argentina, and only considers lines serviced by the three operators providing nationwide mobile telecommunications services (i.e., it does not include Nextel providing trunking telephony and other telecommunication services in Buenos Aires and cities in the interior).

During 2017, service providers in Argentina continued to make significant capital expenditures in new network infrastructure for the enhancement and deployment of 3G and 4G technology, which allows for the higher transmission speeds required for Value Added Services such as data transfer, video calling and Internet browsing.

Our mobile telecommunications services in Argentina are provided under the brand, Personal. We provide mobile services on the 850 MHz and 1,900 MHz, through GSM and 3G technology (by STM/SRMC y PCS networks). In addition, since December 2014, Personal has offered LTE technology service (by SCMA network) through the frequency bands awarded to Personal in 2014 and 2015 (1730-1745 MHz; 2130-2145; 713-723 MHz and 768-778 MHz). See Regulatory and Legal Framework Regulatory Framework Spectrum.

a) *Residential and Business Customers*

We offer to Personal subscribers a variety of flexible pricing options for mobile services. These options include prepaid, post-paid and mixed ( *Abono Fijo* ) plans.

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

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

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

Prepaid customers can access different benefits according to their monthly credit charges, such as days of free Whatsapp access, unlimited Whatsapp access for 30 days (even without credit), credit gifts, and two telephone numbers to communicate for free, one for calls and the other for SMS.

*Post-Paid Plans.* Under post-paid plans, a subscriber pays a monthly fee, plus charges for additional services not included in its plan. According to Telecom's current offer, most of the plans include a quota of megabytes for browsing Internet, unbounded airtime for on-net calls and SMS. Depending on the price, some plans include an amount of free seconds or unbounded airtime for off net calls. Once the free seconds have been used, they can continue using the mobile service at a set price per second. They can also buy packs of additional megabytes to continue browsing Internet after they have consumed the megabytes included in the monthly fee. The charges for additional airtime, megabytes or multimedia contents, will be added to the next month's bill. The plans offer Personal digital invoicing, enabling subscribers to view, download and print their invoices from the web.

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

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

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

	2017		As of December 31, 2016		2015	
		% of Total		% of Total		% of Total
<i>Mobile subscribers:</i>						
Prepaid (1)	12,377,246	65.2	13,007,221	66.7	13,187,958	67.1
Post-paid (2)	1,994,843	10.5	2,159,797	11.1	2,134,376	10.9
<i>Abono Fijo</i> (2)	4,527,718	23.9	4,248,050	21.8	4,216,519	21.4
Mobile Internet dongles	79,923	0.4	98,906	0.4	117,802	0.6
Total	18,979,730	100.0	19,513,974	100.0	19,656,655	100.0

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

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

*New products and services*. In 2017, we continued boosting our strategy with a customer-centric approach based on the concept *Internet para que todo suceda* (Internet to make it all happen). This concept is based not only in our integrated mobile and fixed internet service with Personal and Arnet, which is what differentiates us from the competition, but also in the idea of internet as the most important source of communications. Whether at home, on the street, at work, in the car or wherever they need, people are connected thanks to the Internet.

The Club Personal loyalty program continued operating throughout 2017 providing customers with certain benefits, such as discounts on gastronomy, shows, shopping, leisure and tourism, and the possibility of exchanging accumulated points for consumption, to maintain the satisfaction of the members and incorporate new ones. However, during 2017, Club Personal eliminated the exchanging of accumulated points for third-party products. Club Personal is one of the largest benefit programs in the country with more than 4.3 million members.

Finally, Telecom continued its strategy of repositioning its brand Personal by holding the 13th annual Personal Fest, one of the most important international music festival in Buenos Aires, and also its Summer edition in major cities of Argentina.

Personal's ARPU was approximately P\$142.3 per month for 2017 and P\$112.3 per month for 2016.

b) *Wholesale*

International Business: During 2017, Telecom continued to strengthen its position in the international roaming services market, expanding 3G and 4G LTE agreements, in order to provide a better user's experience to its subscribers.

Telecom entered into five (5) GPRS, 33 3G and 26 LTE agreements during 2017, reaching an overall total of 375 commercial agreements of international roaming, which provide service in more than 166 countries.

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

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

In order to improve the customer s roaming service experience, Telecom has launched eleven LTE agreements in the modality Outbound (4G services for our customers abroad). These agreements allowed customers to use a higher Internet navigation speed.

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

During 2017, Telecom continued to strengthen its relationship with operators and telecommunication services providers, cooperative s federations, and clearing house services suppliers, renewing the existing contracts or entered into new ones.

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

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

***Personal s Mobile Services Segment Network and Equipment***

During 2017, Telecom continued improving the coverage and capacity of it mobile access network. To reach these goals, it implemented an important deployment plan of 4G technology (LTE), together with 2G/3G network modernization, using the new spectrum acquired in the public tender of year 2014.

From the very beginning of this deployment, in the locations where 700 MHz Band is not interfered, Personal turned on simultaneously 700 MHz and 1,700/2,100 MHz Bands, which allows an optimal and efficient spectrum usage, through carrier aggregation functionality. Together with these actions, it continued increasing existent sites capacity, reassigning 2G spectrum and adding new spectrum obtained from the aforementioned public tender.

Additionally, the Company continued to increase the number of radio base stations connected with optical fiber and full IP protocol, allowing for the availability of needed broadband, in the present and for future services.

Finally, we can mention the startup of the new core mobile, over a virtualized platform. This new platform includes all existents functionalities that were migrated, plus new IMS (IP Multimedia Subsystem) functionalities, oriented to the convergence and evolution of services such as VoLTE (Voice over LTE), VoWifi (Voice over Wifi), VoIP (Voice over IP), etc.

*Mobile Telecommunications Services in Paraguay Núcleo*

We provide nationwide mobile telecommunication services in Paraguay through our subsidiary, Núcleo, under the trade name Personal . Telecom Argentina holds 67.5% of the capital stock of Núcleo and the remaining 32.5% is held by ABC Telecomunicaciones S.A., a Paraguayan corporation. Núcleo was granted licenses to provide commercial mobile services, Internet access and videoconference and data transmission services in Paraguay.

CLIENTE+ was launched in 2017 to provide our customers with an exclusive benefits platform that rewards customers who use all the products offered by Personal: Telephony, TV, Billetera Personal and Club Personal. The purpose is to engage more customers as users of all our products and services and provide benefits for choosing us, thus boosting the positioning of a multi-product company through which we can offer communication and connectivity integrated solutions to our customers. The last month of 2017 reflects the yield of all the actions taken over the last two years, achieving a record high in the Prepaid product, with over 940,000 prepaid customers in the 0-30 base, and beating the record of Gs. 45,000 million in recharging sales.

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Total Mobile subscribers in the Mobile Telecommunication Services in Paraguay amounted to 2.5 million as of December 31, 2017.

Núcleo implemented several customer management modules, among them, *Front de Informes* , *Condiciones Comerciales* , *Portabilidad Numérica* and *Promociones*.

In addition, within the framework of technological upgrading, Núcleo implemented the databases of the modules *Registradores de Tráfico* , *Roaming Inbound* and *Tasadores/Retasadores de Llamadas y SMS* in the new Production environments.

WebVAS (Web and Value-Added Services): Núcleo achieved the development of interfaces that facilitate the operation of Points of Sale and Trigger Points, highlighting the improvement of several customer-focused services.

Envíos, a subsidiary of Núcleo, is engaged in the provision of mobile financial services in Paraguay. This year, Envíos recorded a 49% growth compared to 2016, closing the year with 839,725 billeteras (ewallets).

In October 2016, Núcleo requested the National Communications Commission of Paraguay ( CONATEL ) its authorization for the transfer in favor of Núcleo of 70% of the shares of Tuves Paraguay, which was granted in April 2017. Upon obtaining the regulatory authorization, the transfer became effective on June 30, 2017.

Tuves Paraguay is a company engaged in the provision of direct-to-home subscription audio and television services. Tuves Paraguay customer base decreased by 4% compared to the previous year. As of December 31, 2017, Tuves Paraguay recorded 1,750 prepaid customers and 69,297 postpaid customers.

***Núcleo s Network and Equipment***

In September 2017, CONATEL began the public consultation process for the auction of 700 MHz spectrum bands. The final bidding terms were launched on October 30, 2017 and, in December 2017, NUCLEO S.A. was selected as one of the prequalified bidders. The process ended on January 4, 2018, with the simultaneous ascending price auction of 7 sub bands of 5 + 5 MHz each. Núcleo was awarded two of them for US\$ 12 million (equivalent to PS\$278 million as of December 31, 2017) per sub band subject to compliance with certain conditions provided by CONATEL s resolution. On March 6, 2018, CONATEL notified Núcleo Resolution No. 375/2018 through which H-H and I-I sub bands included in 700 MHz spectrum bands were assigned to Núcleo. The license is for five years that can be renewed with a payment of a 3% of the total investment.

In 2017 we completed the Project Dream 2 concerning the Modernization of our Network, as established under the initial schedule. We completed the last phase of the expansion and adjustment of the Cellular Network nodes.

In 2017, Núcleo expanded the capacity and coverage of its LTE 1900 MHz mobile network, installing, as of December 31, 2017, 709 LTE nodes that provide coverage to 86 locations throughout Paraguay, reaffirming our nationwide leadership in 4G coverage.

In addition, Núcleo successfully completed the expansion of the capacity of the Huawei DWDM Network to 100 Gbps. It also expanded the 3G coverage with the commissioning of 95 Nodes B in cellular sites, which already existed but until then they only operated on 2G. This has enabled Núcleo to provide 3G coverage in 100% of the Network.

***Program #Fan***

Towards the end of 2016, we began a path of Transformation towards a Digitalization and Omnichannel approach upgrading our management platforms. Our Program called #Fan comprises the comprehensive refurbishment of the platforms that manage the relationship, delivery, charging, billing and collections of our customers, integrating different Cloud and On premise architectures in line with the new business scenarios towards the convergence of products and services. It is one of the biggest challenges we faced because we are reaching the core architecture of our company, generating a strategic transformation in business management in order to fulfill the vision of putting the customer at the core.

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The main drivers of the Program #Fan are achieving a better Customer Experience, ensuring a single vision of the Customer, simplifying commercial processes and increasing operating efficiency. This will lead to:

- Improving customer care quality and ensuring the unified management of all of our contact points: in-person, telephone and Internet, in a coherent and coordinated manner.
- Increasing resolutions on the first contact and accelerating time-to-market.
- Ensuring efficiency in management times: faster assistance as a result of simpler operating systems.
- Ensuring Omnichannels, incorporating the digital world: Introducing more self-management options, as a result of simpler management platforms and more flexible services.
- Providing greater accessibility and transparency in the information available through multi-device and multiplatform access.
- Ensuring alignment with Customer Profile, streamlining and reducing billing cycles, setting maturity dates, reducing collection periods.
- Generating unified clear and simple billing for all the products and services we offer and those managed by third parties.

Due to the Merger, we will work in a solution that also incorporates Cablevision's products.

In addition, best practices suggest that companies shall ensure a sound Project Management for this type of challenges; therefore, Telecom chose IBM as Transformation Management Office (IBM TMO: #01 Salesforce Global Strategic Partner | Active member TM Forum & Other Key Industry Boards).

During 2017 the Discovery stage of each module (CRM / OM and CBS) was successfully completed and we started developing a mixed model (Agile and Waterfall). It is estimated that the first Go Live (Mobile), will take place during the first six months of 2018 and that the start of customer migration will be during the second half of 2018. At the end of the project it is expected that there will be more than 20 million customers reached by this project.

## Competition

### *Fixed Services*

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

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

### *Mobile Telecommunications Services*

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



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

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

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

Further, see Regulatory and Legal Framework Regulatory Framework Licenses granted as of December 31, 2017 below for details on Telecom Argentina s license.

*Mobile Telecommunications Services in Paraguay.* Currently, there are four participants in the mobile telecommunications services market in Paraguay. As of December 31, 2017, Núcleo s main competitor was Tigo (a Millicom International Cellular subsidiary). The operators provide services using 2G, 3G and 4G technology. The Paraguayan market is highly competitive. Tigo holds a significant market share in terms of revenues.

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**REGULATORY AND LEGAL FRAMEWORK**

**REGULATORY FRAMEWORK**

**Regulatory Authority**

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

Until the issuance of Law No. 27,078, the LAD, which was published in the Official Gazette on December 19, 2014 and has been in force since its publication, the telecommunication services provided by Telecom Argentina and its domestic subsidiaries were regulated by the CNC, a decentralized agency within the scope of the SC, which was also under the scope of the Ministry of Federal Planning, Public Investment and Services. (See Law No. 27,078 Argentine Digital Law below).

The LAD created the Federal Authority of Information and Communication Technologies ( AFTIC ), as a decentralized and autonomous agency within the scope of the PEN, which would act as the Regulatory Authority of the LAD and would replace, for all purposes, of the SC and the CNC.

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

By the end of December 2015, the PEN issued the Decree of Need and Urgency ( *Decreto de Necesidad y Urgencia* or hereinafter the DNU ) No. 267/15 published in the Official Gazette on January 4, 2016. The DNU substantially amends Law No. 26,522 (Audiovisual Communication Services SCA ) and Law No. 27,078 (LAD) and also creates the National Communications Agency ( ENACOM ) as a new Regulatory Authority of those laws. The ENACOM replaces the AFTIC and AFSCA ( Federal Authority of Audiovisual Communication Services ). This new Authority acted as an autonomous agency within the scope of the Ministry of Communications. See *Decree No. 267/15 - Amendments to the LAD* below.

The ENACOM has started its operations on January 5, 2016 with the four directors appointed by the PEN through Decree No. 7/16, thus resulting in the constitution of the ENACOM as established by section 23 of Decree No. 267/15.

The Board of ENACOM is composed of a Chairman and three directors appointed by the PEN, as well as three directors appointed by the Bicameral Commission of Audiovisual Communication and ICT services. **The quorum is met with the attendance of four members.**

No special eligibility conditions are established to be a member of the Board; the only limitation is the non-existence of incompatibilities, under the terms of Law No. 25,188 ( Public Ethic ). The ENACOM members can be removed directly and without cause by the PEN.

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

**Regulatory framework of the services provided by Telecom Argentina and its subsidiaries**

Among the principal features of the regulatory framework governing the services provided by Telecom Argentina and its domestic subsidiaries is worth mentioning:

- The LAD, as amended by Decree of Need and Urgency No. 267/15 and Decree No. 1,340/16;
- Law No. 19,798 remains in force only to the extent that it does not conflict with the provisions set out under the LAD;
- The Privatization Regulations;
- The Transfer Agreement; and
- The Licenses for providing telecommunication services granted to Telecom Argentina and Telecom Personal through several regulations (transferred to Telecom Argentina after the Reorganization) and the List of Conditions and their respective regulations.

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In addition, Law No. 27,078 states that Decree No. 764/00 and its amendments shall remain in force to the extent that it does not conflict with the provisions set out under the LAD, for the time required by the Regulatory Authority to draw up the regulations concerning the Licensing Framework for ICT Services, the Interconnection Regulation, the Universal Service Regulation and the Administration, Management and Control of the Spectrum Regulation. Also, the LAD states that Law No. 19,798 ( *Ley Nacional de Telecomunicaciones* passed in 1972) and its amendments shall remain in force in respect of those regulations not opposing its provisions.

Law 26,522, which is only applicable with regard to the registration of the TV Signal METRO and its activity as an Agency and Intermediary of Advertising and Direct Advertiser.

Núcleo and Tuves Paraguay, are supervised by the *Comisión Nacional de Telecomunicaciones de Paraguay*, the National Communications Commission of Paraguay ( CONATEL ) and its subsidiary Personal Envíos S.A. is supervised by the *Banco Central de la República del Paraguay*. Additionally, Telecom Argentina USA, Telecom Argentina's subsidiary in the United States, is supervised by the Federal Communications Commission (the FCC ).

**Licenses granted to Telecom Argentina**

Telecom Argentina holds a non-expiring Unique Argentine Digital License (*Licencia Única Argentina Digital*) over which the following telecommunications services are registered:

- Local fixed telephony;
- Public telephony;
- Domestic and international long-distance telephony;
- Domestic and international point-to-point link services;
- Domestic and international telex services;
- VAS, data transmission, videoconferencing and transportation of audio and video signals;

- Internet access;
- Mobile telecommunication services (STM);
- Data transmission and Value Added Services;
- Mobile radio communication services (SRMC) ;
- PCS services;
- National and international long-distance telephone services;
- Mobile Advanced Communications Services (SCMA);
- Radio Electric Trunking Service (SRCE); and
- Physical and radio electric link broadcasting services, including the permits/frequencies required to provide radio electric link broadcasting services.

*To Telecom Argentina's subsidiaries*

- Núcleo has been granted a license to provide mobile telecommunication services (STM and PCS) throughout Paraguay. In addition, Núcleo has been granted a license for the installation and provision of Internet and Data throughout Paraguay. All these licenses have been granted for renewable five-year periods. See Núcleo's Network and Equipment , regarding the auction process for 700 MHz band spectrum in Paraguay.
- Personal Envíos, a company controlled by Núcleo, was authorized by the Central Bank of Paraguay to operate as an Electronic Payment Company (EMPE) through Resolution No. 6 issued on March 30, 2015, and its corporate purpose is restricted to such service.

- Tuves Paraguay is a Paraguayan company controlled by Núcleo has a license for the provision of telecommunications services and also the distribution of digital audio and television signals to homes, for the term of five years. The license was granted in March 2010 and renewed in March 2015 for a term of five years.

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**Events of revocation of the Licenses**

According to the LAD TIC s licenses are revocable in the case of no compliance with certain obligations including but not limited to:

- a) The lack of provision of the registered services in accordance with the current regulations.
  
- b) The failure to initiate the provision of the registered services within the period established by current regulations and in accordance with the regulations issued by the Authority.
  
- c) The repeated failure to pay fees, royalties and the contribution to the Universal Service, in accordance with the regulations issued by the Authority.
  
- d) The materialization of acts without the authorization of article 13 of the LAD.
  
- e) The bankruptcy, dissolution or liquidation of the Licensee.

Events or revocation originally established in the Terms of Service (Pliegos) of Telecom and Personal:

In relation to Telecom Argentina s license:

- repeated interruption of all or a substantial portion of service;
  
- a modification of corporate purpose without prior approval of the Regulatory Bodies or change of domicile to a jurisdiction outside Argentina;
  
- the transfer of the license to third parties without prior approval of the Regulatory Bodies;

- the sale, encumbrance or transfer of assets which has the effect of reducing services supplied without the prior approval of the Regulatory Bodies;
- any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina which has not been executed ad referendum of the approval of the ENACOM and informed within 30 days following its completion (according to the provisions of article 8 of Decree No. 267/15); and
- the bankruptcy of Telecom Argentina.

Personal s licenses (STM / SRMC / PCS / SCMA transferred to Telecom Argentina), are revocable in case of non-compliance with certain obligations, including but not limited to:

- repeated interruptions of the services as set forth in each Mobile Licenses Pliegos ;
- any transfer of the license and/or the related rights and obligations, without the approval of the Regulatory Authority (according to the provision of article 8 of Decree No. 267/15);
- any encumbrance of the license;
- any voluntary insolvency proceedings or bankruptcy of Telecom Argentina; and
- a liquidation or dissolution of Telecom Argentina, without the prior approval of the Regulatory Authority.

According to the Auction Terms and Conditions for the awarding of frequency bands for SCMA (and some bands for SRMC and PCS), approved by SC Resolution No. 38/14, the authorization to use radio electric spectrum (as defined in the Auction) will be revocable under the following circumstances:

- repeated or persistent breaches of obligations related to quality indicators of services provided under the terms of the Regulation for the Quality of Telecommunications Services approved by SC Resolution No. 5/13 (See SC Resolution No. 5/13 Telecommunication service quality regulation below);





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- repeated or persistent failure of infrastructure sharing obligations and the conditions set for automatic roaming agreements established in the Terms and Conditions;
  
- repeated or persistent failure of the coverage obligations set in Annex III of the Terms and Conditions;
  
- assignment, transfer, encumbrance, lease or sale to third parties of the authorization for the use of the awarded bands, without authorization of the Regulatory Authority (according to the provision of article 8 of Decree No. 267/15).
  
- According to the Regulation for the Refarming of Frequency Bands with Economic Compensation, approved by Ministry of Communications Resolution No. 171 E/2017, and the Refarming Agreement, executed by Nextel and ENACOM on April 12, 2017, the authorization to use the refarmed frequency bands will be revocable under the following circumstances:
  1. Failure to pay the economic compensation, specified by the National Authority of Communications (ENACOM for its acronym in Spanish), within the term set in the Refarming Agreement.
  
  2. Lack of use of a portion of the refarmed frequency bands, limited to such unused portion and subject to a previous 90 days compliance notice.
  
  3. Failure of assigning clients to the refarmed frequency bands or transferring them to other service providers, within the term set in Section 5 of ENACOM's Resolution No. 1299 E/2017.
  
  4. Failure to return the frequency bands subject to the refarming process, subject to a previous 90 days compliance notice.
  
  5. Failure to provide SCMA Service in the time set in Section 10.1, subsection a), of Decree N° 764/00).
  
  6. Breach of the coverage obligations set in the Refarming Project approved by ENACOM's Resolution No. 1299 E/2017, subject to a previous 90 days compliance notice.

7. Failure to inform ENACOM the degree of progress of the Refarming Project approved by ENACOM's Resolution No. 1299 E/2017, biannually, subject to a previous 90 days compliance notice.

8. Assignment, transfer, encumbrance, lease or sale to third parties of the authorization for the use of the refarmed frequency bands, without authorization of the Regulatory Authority (pursuant to Section 8 of Decree No. 267/15).

Núcleo and Tuves Paraguay's licenses are revocable mainly in the case of:

- repeated interruptions of the services;
- any voluntary insolvency proceedings or bankruptcy of Núcleo and Tuves Paraguay; and
- non-compliance with certain service obligations.

According to the Resolution No. 6/14 of the Central Bank of Paraguay, Personal Envíos license to provide Electronic Payment services may be revoked by:

- insolvency proceedings or bankruptcy,
- sanctions imposed by the Central Bank of Paraguay, with prior administrative proceedings regarding the performance of operations that are forbidden by the legislation in force.

**Law No. 27,078 Argentine Digital Law**

Among the most relevant contents in the LAD, which amended the regulatory framework in force as of December 19, 2014, as regards telecommunications are:

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

margin;

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- b) the exemptions of taxes, establishing that tax exemptions or reductions, prices and encumbrances of ICT in general and in telecommunications in particular may be set on a precarious basis when the nature of certain activities so warrant;
- c) the amendments as regards Universal Service (See Universal Service Regulation below);
- d) the asymmetric regulation as universalization tools towards the development of an effective competition; and
- e) a maximum period for granting each authorization or use of frequencies of the radioelectric spectrum must be established (section 28 *in fine*).

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

The LAD set forth that the licensees of the ICT services may supply audiovisual communication services with the exception of those provided through satellite link, in which case, the corresponding license must be requested from the proper authority. Also, the LAD allowed ICT service licensees included in the restrictions of the Audiovisual Services Communications Law (among them, Telecom Argentina) to provide audiovisual communications services. Nevertheless, that regulation was partially amended by Decree No. 267/15 (see Decree No. 267/15 Amendments to the LAD below).

According to the LAD provisions, Telecom Argentina amended its corporate purpose during 2015, which was approved by AFTIC Resolution No. 19/15. Further information is disclosed in Note 1.a) to the Consolidated Financial Statements.

Also, the LAD established the framework for suppliers and licensees entering the audiovisual communication services market (among them, Telecom Argentina and its Argentine subsidiaries) setting forth that the Federal Authority of Audiovisual Communication Services (replaced by the ENACOM since Decree No. 267/15 enforcement) would determine the go-to-market conditions of audiovisual communication services for ICT suppliers and licensees. The LAD also stated a gradual implementation plan through the setting up of promotion areas for limited periods of time determined according to public interest, within which the ICT licensees with significant market power would not be able to provide audiovisual communication services (see ENACOM Resolution No. 5641-E/2017).

It also set forth that the ICT service should be provided throughout the national territory, considered for that end as a unique area of exploitation and supply, and the modification of the interconnection schedule, imposing higher obligations to the operators and more rights to the Argentine government for the regulation in this sense of the wholesale market.

According to the LAD provisions, the SBT holds its status of public service (section 54), but with a different scope than the previous regulations provisions. It was defined as the national and international telephone voice service, through the local networks, notwithstanding the technology used for its transportation, provided that it complies with the objective of allowing its users to communicate with each other (section 6 paragraph c)). In addition, in section 90 of Title XI, it established that said definition, comprises the senses of the definition established in the Auction Terms and Conditions for the International Public Auction process for the Privatization of the Supply of the Telecommunications Service timely approved by Decree No. 62/90.

The LAD introduced substantial changes to the SU regulation established by Decree No. 558/08. Among its provisions the LAD creates a new SU Fund and provides that the investment contributions for the SU programs shall be managed through this fund, which assets, belong to the Federal Government (See Universal Service Regulation below).

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

The LAD also revoked Decree No. 764/00, as amended, but provisions of the decree that do not contradict the LAD will remain in effect during the time it takes to the Regulatory Authority to issue new licensing, interconnection services, universal service and spectrum regulations.

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

On January 4, 2016, Decree No. 267/15 was issued, amending Law No. 26,522 (Audiovisual Communication Services) and Law No. 27,078 (LAD). As mentioned above, ENACOM was created as the Regulatory Authority applicable of these laws. However, some of its provisions were subsequently amended by Decree No. 1,340/16.

The main amendments to the LAD consist of:

- The incorporation of Broadcasting Services provided by subscription (physical or radio electric link, such as Cable TV) as an ICT service within the scope of the LAD, and excluding it from Law No. 26,522. Satellite Television Services will remain within the scope of Law No. 26,522. Furthermore, Decree No. 267/15 states that the ownership of a satellite television license provided by subscription is incompatible with having any other kind of ICT services license. Provision amended by Decree No. 1,340/16.

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

Among the amendments that replaces Section 6 of the LAD is the incorporation of video on demand service, defined as a service offered by an ICT services supplier to provide access to software under demand on a catalogue basis.

Decree No. 267/15 replaced the LAD's section 94, and states that SBT suppliers, fixed telephony license holders within the scope of Decree No. 264/98, and mobile telecommunication license holders within the scope of Decree No. 1,461/93 are prohibited from providing Broadcasting under subscription services (defined as any form of communication, primarily one-way, for the transmission of signals to be received by a determinable public, either by physical or by radio connection, for example, video cable and IP TV services) until January 1, 2018 (this term can be extended by 1 additional year). Also, the Decree replaces section 95 of the LAD and provides several obligations for fixed telephony licensees granted by Decree No. 264/98 and mobile services providers with licenses granted by Decree No. 1,461/93, which choose to provide broadcasting under subscription services. This provision was subsequently amended by Decree No. 1,340/16.

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

- Section 28 of Decree No. 267/15 created, in the field of the Ministry of Communications, the Commission for the Elaboration of the Draft Law for the Reform, Updating and Unification of Laws No. 26,522 and No. 27,078 (*Comisión para la Elaboración del Proyecto de Ley de Reforma, Actualización y Unificación de las Leyes N° 26,522 y 27,078*). The Commission is responsible for the study of the reform of both laws under the principles set out herein.

On April 15, 2016, the Ministry of Communications through Resolution No. 9/16 provided that the Commission shall be composed by six members and one Secretary, who will perform their duties ad honorem. The Resolution also appointed its members. The Commission should submit a draft Law for the reform, updating and adaptation of a unified system of the Regulatory Framework Law for the Telecommunications and Audiovisual Communication Services in Argentina, within the following 180 calendar days from the date of its constitution.

Through Resolution No. 1,098-E/16 published on October 31, 2016, the Ministry of Communications extended for 180 days the deadline for the preparation of the draft reform of Laws No. 26,522 and No. 27,078. As of the date of this Annual Report, the elaboration of the draft reform of Laws No. 26,522 and No. 27,078 is still pending.

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



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- Decree No. 267/15 repealed Section 15 and Section 48 (second paragraph) of the LAD. Therefore, the following provisions have no longer effect: (i) the condition of essential and strategic public services of ICT regarding the access to the telecommunications network for the ICT services license holders; and (ii) the Regulatory Authority power to regulate tariffs due to public interest reasons.
- On April 8, 2016, the Chamber of Representatives voted in favor of the validity of DNU No. 267/15. According to this, such Decree acquired the status of Law.
- The Decree establishes several amendments to the Audiovisual Communications Services Law (SCA).

Among the main amendments established by this Emergency Decree to both laws, it should be noted that the licenses for the exploitation of physical link and radio-electric link subscription television services that had been granted under Laws No. 22,285 and No. 26,522 are now called Registrations for the exploitation of physical link and radio-electric link subscription television services of a *Licencia Única Argentina Digital*.

However, it should be noted that pursuant to Section 21 of Decree No. 267/15 and until the enactment of a law that will unify the fee regime provided under Laws No. 26,522 and No. 27,078, the physical link and radio-electric link subscription television services will continue to be subject only to the fee regime provided under Law No. 26,522. Therefore, they shall not be subject to the investment contribution or the payment of the Control, Oversight and Verification Fee provided under Sections 22 and 49 of Law No. 27,078.

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

Decree No. 1,340/16 issued by PEN and published in the Official Gazette on January 2, 2017 provides the rules for achieving a greater convergence of networks and services under competitive conditions, promoting the deployment of next generation networks and the penetration of Broadband Internet access throughout the national territory, in accordance with the provisions of Laws No. 26,522 and No. 27,078. This Decree introduces some amendments to DNU No. 267/15, which has the status of Law.

Among the most relevant provisions, it establishes:

- Fix the 15-year-term, as from the publication of the Decree, as differential condition in the terms provided by section 45 of Law No. 27,078, for the protection of last-mile fixed NGN networks for Broadband deployed by ICT licensees for Broadband regarding the regulations of open access to Broadband and infrastructure to be stated, notwithstanding the provisions of section 56 of said Law.

• That the Ministry of Communications or ENACOM, as appropriate, shall establish the rules for the administration, management, and control of the radio spectrum, according to guidelines for the promotion of competition as follows:

a) the ENACOM, in a period not exceeding six months since the publication of the Decree, shall call for National and International Public Auction Process for the allocation of new frequency bands for the provision of mobile communications services, according to the service attributions following the recommendations of the International Telecommunication Union (ITU), to maximize and increase the radio resources assigned thereto;

b) for the purposes of the provisions of section 28 of Annex IV of Decree No. 764/00 and section 29 of Law No. 27,078, rules and procedures shall be adopted ensuring the reattribution of radio spectrum frequencies with economic compensation and shared use to frequencies previously allocated to other service and assigned to ICT or SCA providers who request to re-use them for the provision of mobile or fixed wireless services with LTE or higher technologies. To this effect, the Regulatory Authority shall impose coverage obligations and specific goals;

c) for the purposes of the provisions of sections 27 and 28 of Law No. 27,078 and section 2 subparagraphs c) and d) of Decree No. 798/16, the ENACOM shall have the power to assign radio spectrum frequencies on demand, establishing compensation, deployment and coverage obligations, within the corresponding deadlines, to: 1) current local or regional providers of ICT services in their service areas; and 2) current providers of MCS, on the terms provided in section 3 of Decree No. 798/16;

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d) the term of authorizations for the use of frequencies of the SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No. 1,461/93 and its amendments (additional information on the impact on Telecom Argentina is provided in Note 3.i) and Note 18.e) to the Consolidated Financial Statements as of December 31, 2017).

- That Operators included in section 94 of the LAD (among them, Telecom Argentina), may register the Broadcasting Service by subscription, by physical or radio connection as of the enforcement of this Decree, setting January 1, 2018 as initial date for the provision of such service in the AMBA (and extended AMBA), and in the cities of Rosario (Santa Fe Province) and Córdoba (Córdoba Province). The Decree also provides that, for the rest of the country, the initial date for the provision of the services of these operators shall be determined by the ENACOM (See Resolution No.E 5,641 E/ 2017).

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

- That ICT s services providers carrying out joint service offerings, shall detail the price of each of them, including the breakdown of these values, and the discounts or benefits applied to each service or product of the aforementioned offer, not being able to subsume, under any condition, the hiring of any service to the hiring of another, so as to prevent the consumer from obtaining the service individually or separately.

- That within 180 days of the Decree enforcement, the Ministry of Communications will establish the necessary guidelines for the creation of the Public Protection, Defense and Security Operations Network (*Red de Protección Pública y Operaciones de Socorro, Defensa y Seguridad*) under the terms of section 12 of Law No. 27,208 to secure suitable communications for public safety agencies.

- That for the purposes of the provisions of section 92 of Law No. 27,078 and section 2, paragraph g) of Decree No. 798 issued on June 21, 2016, MINCOM shall ensure the following principles on interconnection matters:

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

b) In accordance with section 46 of Law No. 27,078, the National Interconnection Regulation shall provide asymmetric interconnection rates for mobile services for a three years period from the effective service implementation, extendable for a maximum of 18 months.

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

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

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

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

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**Universal Service Regulation**

*Decree No. 764/00*

Law No. 27,078 states that Decree No. 764/00 and its amendments shall remain in full force to the extent that the provisions of such Decree do not conflict with the law until the Regulatory Bodies have drawn up the regulations concerning the Licensing Framework for ICT Services.

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

On June 8, 2007, the SC issued Resolution No. 80/07 which stipulated that until the SU Fund was effectively implemented, telecommunication service providers, such as Telecom Argentina and Personal, were required to deposit any contributions accrued since the issuance of such Resolution into a special individual account held in their name at Banco de la Nación Argentina. CNC Resolution No. 2,713/07, issued in August 2007, established how these contributions are to be calculated.

*SU Regulation established by Decree No. 558/08*

Decree No. 558/08, published on April 4, 2008, introduced certain changes to the SU Fund regime, replacing the Annex III of the Decree No. 764/00. Decree No. 558/08 established that the SC would assess the value of service providers' direct program contributions in compliance with obligations promulgated by Decree No. 764/00. It would also determine the level of funding required in the SU Fund for programs pending implementation. In the same manner, in order to guarantee the continuity of certain projects, the SC was given the choice to consider as SU contributions certain other undertakings made by telecommunication services providers and compensate providers for these undertakings.

In defining Universal Service, the new regulation established two categories: (a) geographical areas with uncovered or unsatisfied needs and (b) customer groups with unsatisfied needs. It also determined that the SC would have exclusive responsibility for the issuance of general and specific resolutions regarding the new regulation, as well as for its interpretation and application.

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

The Decree required Telecom Argentina and Telefónica to extend the coverage of their fixed line networks, within their respective original region of activity, within 60 months from the effective date of publication of the Decree.

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

Providers of telecommunications services should rely on the advice of a Technical Committee made up of seven members (two members should be appointed by the SC, one member should be appointed by the CNC, three members should be appointed by the telecommunication services providers two of which should be appointed by Telecom Argentina and Telefónica and one by the rest of the providers and another member had to be appointed by independent local operators). This Technical Committee was informed by the SC of the programs to be financed and was responsible for managing and controlling the SU Fund, carrying out technical-economic evaluations of existing projects and supervising the process of competitive auction and adjudication of new SU programs, with the prior approval by the SC.

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The Technical Committee was created. Additionally, telecommunications service providers sent the proposed Fiduciary agreement to the SC. The SC approved it in January 2009 through Resolution No. 7/09.

On December 9, 2008, the SC issued Resolution No. 405/08 which was objected by Telecom Argentina and Personal. These objections were resolved by the SC through its Resolution No. 154/10.

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

On December 30, 2010, the trustee notified Telecom Argentina and Personal the trustee's escrow account number in which they should deposit the SU contributions under the provisions of SC Resolution No. 154/10.

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

In December 2014, the LAD introduced substantial modifications to the SU regulations pursuant to Decree No. 558/08. Among its provisions the LAD establishes the creation of a new SU Fund and the fact that the investment contributions corresponding to the SU programs be managed through said fund, whose assets shall belong to the National Government.

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

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

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

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

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

As of the date of this Annual Report, Telecom Argentina has not received any response to its filings.

ENACOM Resolution No. 2,642/16 approved the new SU Regulation, which was published on May 31, 2016, in the context of the new regulations established by the LAD.

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

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

Taking into consideration the changes introduced in the Affidavits Form approved by the regulation, Telecom Argentina and Personal made a presentation to the Regulatory Authority exposing the need to introduce amendments to the forms in order to explain the deductions of the SU services that both companies are providing.

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

ENACOM Resolution No. 8,770-E/16, issued on December 19, 2016, amends section 21 of the RGSU (General Regulation of the Universal Service), providing that programs developed in accordance with sections 19 and 20 of the Regulation will be awarded by Resolution of the ENACOM Board of Directors through any of the following mechanisms, as proposed by the Chairman of the ENACOM Board of Directors:

a) Direct implementation of the programs to entities included in section 8 paragraphs b) of Law No. 24,156, or

b) Public or private, national or international, single or multiple-stage auction or offering.

Priority will be given to projects to be developed in those municipalities that have adopted the regulations proposed in the code of good practices for the deployment of mobile communications networks developed by Argentine Federation of Municipalities and the Operators of Mobile Communications and supported by the former SC of the former Ministry of Federal Planning, Public Investment and Services on August 20, 2009 or those contemplating regulations of similar characteristics.

As of the date of this Annual Report, there are still pending administrative appeals filed by Telecom Argentina in 2012 against several resolutions that rendered ineffective deductions in the SU payments with reference to several programs provided by Telecom Argentina in the play mode of the SU. The magnitudes of the deductions challenged by the Regulatory Authority are disclosed below in SU Fund in Telecom Argentina, transforming the asset position of Telecom Argentina (P\$2,925 million) into a potential liability position. As a reference Telecom

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Argentina potential obligation of the SU for the period July 2007 to December 2017 represents approximately P\$799 million. However, the Company's Management, with the assistance of its legal advisors, considers that has solid fact and legal arguments to defend the criteria that Telecom Argentina has held and holds with regard to the SU scheme. Additional information is provided in Renegotiation of the contract with the public administration below.

### *SU Fund in Telecom Argentina*

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

As of the date of this Annual Report and in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713 /07, Telecom Argentina has filed its monthly calculations since July 2007 for the review of the Regulatory Authority and estimated a receivable of P\$2,925 million. This receivable has not yet been recorded as of December 31, 2017 since it is subject to the approval of the SU programs, the review of the Regulatory Authority and the availability of funds in the SU Trust.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom Argentina that investments associated with High-Cost Areas amounting to approximately P\$2,691 million since July 2007 to date and which are included in the abovementioned receivable - did not qualify as an Initial Indicative Program. Telecom Argentina filed a claim on this resolution.

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

Telecom Argentina's Management, with the advice of its legal counsel, has filed appeals against SC Resolutions Nos. 53, 54, 59, 60, 61, 62, 69 and 70 presenting the legal arguments based on which such resolutions should be revoked. The deductions that were objected by the SC Resolutions amount to approximately P\$1,033 million and are included in the credit balance mentioned in the second paragraph. As of the date of this Annual Report the resolution of this appeal is still pending.

On September 13, 2012, the CNC required Telecom Argentina to deposit approximately P\$208 million. Telecom Argentina has filed a recourse refusing the CNC's request on the grounds that appeals against the SC Resolutions are still pending of resolution. As of the date of this Annual Report, although it cannot be assured that these issues will be favorably resolved at the administrative stage, Telecom Argentina's Management, with the assistance of its legal advisors, considers that it has solid legal and de facto arguments to support the position of Telecom Argentina.

***SU Fund in Personal***

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

During the first quarter of 2011, the above -mentioned funds were transferred to the trustee's escrow account, in compliance with the provisions of SC Resolution No. 154/10 previously described. Since January 2011, the SU Fund monthly contributions were made into such escrow account.

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

In March 2011, Personal submitted to the SC a P\$70 million investment project, pursuant to SC Resolution No. 9/11, for the development of a network infrastructure in locations in the Northern Region of Argentina with no mobile coverage. Personal submitted its calculations from 2001/2007 related to the mentioned project to be financed through its own SU contribution of such periods as required by the SC.

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On April 9, 2014 Personal filed an amended proposal for the project within the scope of resolution No. 9/11, pursuant to the SC's request. This new filing consists only of additional detailed information about the project's scope. As of the date of this Annual Report the Project is pending of approval.

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

Personal has filed an administrative action against SC Resolution No. 50/12 requesting its nullity. As of the date of this Annual Report, this matter is still pending.

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

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

**Spectrum**

*SC Resolution No. 38/14*

On July 7, 2014, SC Resolution No. 38 was published in the Official Gazette which announced a Public Auction process (the Auction process) for the awarding of the remaining frequencies of the Personal Communication Services (PCS), of the Cellular Mobile Radiocommunication Services (SRMC), as well as those of the new spectrum for the Advanced Mobile Communications Service (SCMA) recently created.

The Terms and Conditions organized the aggregate of the spectrum to be auctioned in 10 Lots, being the first one to be auctioned exclusively among entering operators. The Public Auction took place on October 31, 2014. Personal presented its economic bids and was awarded Lots 2, 5, 6 and 8. Telefónica Móviles Argentina S.A. (Movistar), América Móvil S.A. (Claro) and Arlink S.A also participated in the Auction.

Through SC Resolution No. 79/14 the SCMA service was awarded to Personal, while through SC Resolutions No. 80/14, 81/14, 82/14 and 83/14 that were published in the Official Gazette on November 27, 2014, the following frequency bands were awarded to Personal:

SC Resolution	Lot No.		Frequency Band	Exploitation area/ (Service)	Amount paid (in millions of US\$)	Capitalized cost of acquisition (in millions of P\$)
80/14	5	PCS	1890-1892.5 MHz and 1970-1972.5 MHz	Northern (3G)	5.0	43
81/14	2	SRMC	830.25-834 MHz and 875.25-879 MHz	AMBA (3G)	45.0	387
82/14	6	PCS	1862.5-1867.5 MHz and 1942.5-1947.5 MHz	Southern (3G)	6.0	51
83/14	8	SCMA	1730-1745 MHz and 2130-2145 MHz	Country (4G) partial awarding	354.7	3,049
					<b>410.7</b>	<b>(*) 3,530</b>

(\*) Includes P\$18 million corresponding to the tax on debits to bank accounts that were capitalized in the cost of the licenses.

Personal paid for the awarded frequency bands, and also constituted the corresponding performance guarantees. In the case of Lot No. 8, the payment was made on account of the single and total price offered for this Lot.

Personal asked that the assignment of the Frequency Bands for the SCMA services in Lot No. 8, which was partially awarded to Personal through SC Resolution No. 83/14, be completed and reserved the applicable rights.

The full awarding of Lot No. 8 became essential for compliance with the commitments foreseen in the Auction Terms and Conditions. Once the awarding process was completed, Personal had access to SCMA Frequency Bands 713-723 MHz/768-778 MHz, and had to pay the equivalent to US\$ 247.3 million (pending balance of the auction's amount), and give a warrant of accomplishment of 15% of such amount.

The Auction Terms and Conditions provided authorizations for the use of the auctioned frequency bands for a period of fifteen (15) years from the notification of the award. After this deadline the Regulatory Authority would extend the terms of use upon formal request of the awarded operator (which price and conditions would be set forth by the Regulatory Authority).

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The Auction Terms and Conditions also established strict coverage and network deployment commitments which require significant investments to Personal. Additional information is provided in Note 18.e) to the Consolidated Financial Statements.

Through SC Resolution No. 25/15, issued on June 11, 2015, Personal was assigned the rest of Frequency Bands which composed Lot No. 8 and that were pending of assignment by the SC.

On June 25, 2015 Personal paid the offered amounts corresponding to the awarded Frequency Bands (which were equivalent to US\$247.3 million) pursuant to the provisions of the Auction Terms and Conditions and its complementary clarifying documents, as a result of which the whole amount of the sum offered for Lot No. 8 was paid. In addition, in its bid documents, Personal stated that such Lot formed a unique and comprehensive block for purposes of complying with the obligations undertaken in connection with the deployment of the SCMA, also expressing that the Federal Government has the obligation to cause the awarded bands to be free from occupants and interferences.

SC Resolution No. 18/14, provided that the 698 to 806 MHz frequency bands had to be disengaged before a two years deadline. Expired that period, the irradiating systems involved in the migration had to finish their emissions.

As of the date of this Annual report, the deadline provided by SC Resolution No. 18/14 for the disengagement of the 698 to 806 MHz frequency band expired on July 18, 2016. However, such frequency band continues to be busy.

ENACOM Resolution No. 6,396/16, published in the Official Gazette on July 22, 2016, provided that the licensees within the scope of the migration provided by SC Resolution No. 18/14 that are currently providing services within the 698 to 806 MHz frequency band, may choose to: (i) temporarily continue providing their respective services in other frequencies corresponding to the bands allocated to the broadcasting service, particularly 512-698 MHz frequency band, subject to technical feasibility verified in each case, and for the term provided in section 2 of Resolution No. 6,396/16; or (ii) request the assignment of a bandwidth equivalent to that currently authorized, in 12.2 to 12.7 GHz destination band.

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

According to the provisions of Decree No. 1,340/16, the term of the authorizations for the use of frequencies of the Advanced Mobile Communications Service, as well as the corresponding deployment obligations, will be computed from the actual migration of the services currently operating in these bands in Area II (AMBA). Additional information on the impact on Telecom Argentina is disclosed in Note 3.j) and Note 18.e) to the Consolidated Financial Statements as of December 31, 2017.

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On January 18, 2017, Personal filed a letter to ENACOM expressing its interest in participating in the Auction, Offering or Reattribution procedure/s of frequency bands timely available within the scope provided by Law No. 27,078 and consistent regulations, subject to the analysis of the conditions defined at that time. This includes the bands currently attributed to the Mobile Communications Service or Advanced Mobile Communications Service, as thus also any other band which, in the future, be attributed to the provision of such services among other frequencies in bands 2.5-2.6 Ghz, 3.4-3.7 GHz, 450 MHz, 600 MHz, 700 MHz, 800 MHz, 850 MHz, 900 MHz, 1900 MHz, AWS, and extended AWS.

### *Regulations of Refarming with Financial Compensation and Shared Use of Frequencies*

On January 31, 2017, Resolution of the Ministry of Communications No. 171-E 2017 was issued, approving the **Regulations of Refarming with Financial Compensation and Shared Use of Frequencies** (*Reglamento de Refarming con Compensación Económica y Uso Compartido de Frecuencias*). As a summary, the following provisions can be highlighted:

- Instructs ENACOM to analyze the technical feasibility and implement the allocation to the mobile service, with primary status, of the 450-470 MHz, 698-960 MHz and 2,300-2,400 MHz frequency bands. All of the above is to be used in the provision of SCMA or any other arising from technological developments.

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- Provides the preventive suspension of the reception of awarding procedures in 1,427-1,518 MHz and 3,300-3,600 MHz frequency bands.
- Modifies the spectrum cap, setting it in 140 MHz per provider for each area and/or operating location. For such purposes, the spectrum assigned to each company, its subsidiaries or controlling shareholders, directly or indirectly, or subject to common control or those holding more than 30% of the shares of another company, will be considered if, with such equity interest, holds a position of substantial influence in the decisions of such company. Any other subject or body may be included in the calculation of the spectrum awarded to any other subject or entity assigned to that spectrum when it is understood that any contractual linkage has been entered into to circumvent this limit.
- Instructs ENACOM to modify the National Scheme of Attribution of Radio Spectrum Bands (*Cuadro Nacional de Atribución de Bandas del Espectro Radioeléctrico* - ER ) for the purpose of making available for MCS providers frequency bands suitable to that end.
- From the publication of the new bandwidth table and its respective channels, MCS providers will have a maximum of 15 working days to request their express assignment. Such allocations shall be made on equal terms and conditions as those required from other providers of similar service in the same band. This provision is complemented by section 9 of Resolution No. 1,034-E/17.
- The regulatory authority is delegated to ENACOM, who will provide the necessary complementary or explanatory rules for a better application of these provisions.

In addition, ENACOM Resolution No. 1,033-E/17, issued on February 20, 2017 provided to allocate the frequency bands between 905-915 MHz, and 950-960 MHz to the Mobile Service with primary status, for the provision of the Advanced Mobile Communications Service.

ENACOM Resolution No. 1,034-E/17, also issued on February 20, 2017, allocated the frequency band between 2,500-2,690 MHz to the Mobile Service with primary status, and the use of the frequency band between 2,500-2,690 MHz for the provision of SCMA, in addition to current services when their coexistence is possible.

On March 7, 2017 ENACOM Resolution No. 1,299-E/17 was published in the Official Gazette. This Resolution approved the Refarming Project with Financial Compensation and Shared Use of Frequencies to Nextel Communications Argentina SRL ( Nextel , currently Telecom Argentina since the merger with Cablevisión, see Note 32 to the consolidated financial statements as of December 31, 2017) to provide the Advanced Mobile Communications Service, granting this company the registration for the provision of such service, and authorizing it to:

- use frequencies between 905-915 MHz and 950-960 MHz in accordance with the provisions of ENACOM Resolution No. 1,033-E/17 and channels 7 to 10, and 7 to 10 in FDD mode, provided in the Annex of Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project approved by the Resolution.
- use frequencies between 2,550-2,560 MHz, and between 2,670-2,680 MHz exclusively for migrating users from pre-existing services, for a 2-year period, term in which it should additionally resolve the final destination of those users. Once the migration is completed, or the 2-year term expires, whichever occurs last, Nextel may use channels 11 and 12, and the corresponding 11 and 12 in FDD mode, provided in the Annex to Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project hereby approved.

The Resolution provides as URV for the radio spectrum the following bands involved in the project:

- 900 MHz Band = 0.1841 (US\$/MHz/inhabitant)
- 2,600 MHz Band = 0.0423 (US\$/MHz/inhabitant)

RV for frequencies involved in the Project in FDD mode is set in US\$178,419,397 calculated pursuant to Section 7 of MINCOM Resolution No. 171-E/17, based on the URV provided in the foregoing section.

The rule establishes that the following discounts and weighting factors will be applied, which shall be calculated pursuant to section 7 of MINCOM Resolution No. 171-E/17, and which in detail will be used in order to determine the amount of the Financial Compensation that will be part of the agreement to be settled.

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- Discounts:
  - The amount equivalent to the frequencies of the spectrum whose return is provided in section 7 therein, and whose value will be calculated according to the URV provided in section 8 herein, as appropriate.
  - The amount corresponding to the valuation of the Coverage Obligations provided by section 10 of the regulation.
- Weighting Factors:
  - The speed of networks and service deployment calculated from the amount of investment for the first five years, with respect to the total Project hereby approved.
  - The speed of deployment of the Coverage Obligations provided in section 10 therein.

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

In the same resolution and as part of the authorization, that agency imposed additional Coverage Obligations on Nextel.

It also imposes two obligations that must be fulfilled prior to initiating the rendering of Advanced Mobile Communication Services: (i) the return of the proposed radio-electric spectrum; and (ii) the creation of a guaranty issued in favor of and satisfactory to ENACOM for an amount equal to the value of the radio-electric spectrum that is subject to return.

The Resolution also orders that Nextel shall post a performance bond to guarantee the obligations and responsibilities undertaken by that company to be issued in favor and to the satisfaction of the ENACOM for the amount and under the terms that shall be set forth in the contract to be executed with the ENACOM. That contract shall establish, in addition to the economic compensation to be paid by Nextel, the terms, conditions, goals, obligations and other matters inherent to the rendering of the Advanced Mobile Communication Services authorized by that agency to which Nextel shall be bound.

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On April 12, 2017, Nextel and the ENACOM executed the agreement referred to in the previous paragraph. On April 28, 2017, pursuant the Agreement executed with the ENACOM, Nextel transferred to that agency the economic compensation of Ps. 478,240,214, established by the ENACOM on April 26, 2017.

In another agreement also executed on April 12, 2017, NEXTEL accepted and expressly consented to the authorization granted to the Chairman of the ENACOM to decide on, within a term of 2 years as from the date of the agreement, the replacement with economic compensation -to be paid by NEXTEL- of certain channels of the 2500-2690 MHz frequency bands for frequencies in other bands, as established under Article 7 of ENACOM Resolution No. 1,034/2017.

Also, on May 5, 2017, Nextel posted the performance bond provided under the agreement in order to guarantee: (i) compliance with the coverage obligations in the localities ordered by ENACOM; and (ii) the return of compromised radio spectrum.

Through Resolution No. 3,909-E/2017 published on May 24, 2017, the ENACOM decided to register the agreements described in the paragraph.

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

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

The Resolution provided to group the frequency channels to be allocated in three (3) Lots: two (2) Lots of 30 MHz, containing three (3) frequency channels in the FDD mode each, and one (1) Lot of 40 MHz, containing two (2) frequency channels in FDD mode (20 MHz) and four (4) frequency

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

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

On July 5, 2017, ENACOM notified Personal of its Resolution No. 5,478-E/17 through which the frequencies included in Lot A were assigned to Telefónica Móviles Argentina S.A., the frequencies included in Lot B were assigned to AMX Argentina S.A. and the frequencies included in Lot C were assigned to Personal (all of them stated in Annex I of ENACOM Resolution No. 3,687 E/17), in the locations detailed in the respective Annexes (attached to Resolution No. 5,478-E/17) as requested by each provider. The Resolution provides that the enforcement of its provisions will be operative, within the Departments of San Rafael, General Alvear and Malargüe, of the Province of Mendoza, once the judicial decision ordered by the Federal Court of San Rafael in the legal process entitled CABLE TELEVISORA COLOR S.A. c/ PEN AND OTHER S/ AMPARO Ley 19,986-File No. 5,472/17 had been revoked.

The spectrum allocation will last 15 years since CABA plus other thirteen areas are free of interference over a total of 18 provincial capitals plus Rosario, Mar del Plata and Bahia Blanca and will demand payment of up to approximately US\$ 55.9 million (subject to certain compensation clauses for early or late releases) to be paid by localities released from interference on every January of the following year of the year of the effective release. The conditions for the spectrum allocation include certain obligations regarding the service launch by localities, penalty clauses for non-compliance with the deadlines established by localities (which would involve the frequency return plus a fine equivalent to 15% of the spectrum value of the locality involved) and certain guarantees required, among them, the deployment.

*Spectrum in 700 MHz Band licenses (Paraguay)*

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

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

On March 6, 2018, CONATEL notified Núcleo Resolution No. 375/2018 through which H-H and I-I' sub bands included in 700 MHz spectrum bands were assigned to Núcleo.

**SC Resolution No. 5/13 Telecommunication service quality regulation**

On July 2, 2013, SC Resolution No. 5/13 was published in the Official Gazette. This Resolution approved a telecommunication service quality regulation, establishing, among others, new quality parameters required for telecommunication services provided through mobile and fixed public networks, for all the operators in Argentina, as well as the obligation to provide periodic information to the CNC.

CNC Resolution No. 3,797/13 was published in the Official Gazette on November 13, 2013, supplementing SC Resolution No. 5/13 and approving the Audit Procedures and Technical Verification of Service Quality Regulation of Telecommunications Services Manual.

Pursuant to the provisions of CNC Resolution No. 3,797/13, Telecom Argentina and Personal have submitted their respective Technical Reports (detailed technical specifications of the measurement process) and have made their submissions providing the required information pursuant to the provisions of SC Resolution No. 5/13.

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On August 14, 2014 the CNC notified Telecom Argentina and Personal that the audits and technical verifications that the Regulatory Authority shall perform on the supply of services regarding licenses of Telecom Argentina and Personal will be performed following the processes and methods of measurement exhibited in the respective presentations of the Technical Reports. The CNC also notified Telecom Argentina that these shall be carried out using the principles set forth in SC Resolutions No. 5/13 and CNC No. 3,797/13. Notwithstanding, the CNC developed verification tasks of the mobile services by means of tests of calls and data with measuring mobile devices in different locations of the country using procedures different from those defined in the Quality Regulation and published the results at [quenosecorte.gob.ar](http://quenosecorte.gob.ar).

Within the scope of said verifications, the CNC initiated penalty processes against Personal for alleged non-compliance with CNC Resolution No. 3,797/13. The Management of the Company has in a timely basis submitted its solid legal defense against these claims.

Since the enforceability of this Resolution is subject to the compliance of certain steps for its implementation with the previous approval of the Regulatory Authority, Telecom Argentina and Personal have carried out the corresponding reservations of their rights in each of their submissions. In addition, Telecom Argentina has stated in its different submissions that, due to the special circumstances that affected its tariff structure, the compliance of the burdensome operative and customer service parameters set forth in SC Resolution No. 5/13 should not apply.

**Regulation of Virtual Mobile Operators**

SC Resolution No. 68/14, published in the Official Gazette on October 28, 2014, approved the Regulation of Virtual Mobile Operators ( VMO ) and the Basic Requirements for VMO Agreements. Among its provisions, the Resolution states that the Network Mobile Operators ( NMO ) that have spectrum and infrastructure, shall annually file a reference offer for those interested in providing services as VMO, in which they will set forth the technical and economic conditions, which shall be reasonable and non-discriminatory.

The Resolution also provides the modalities and procedures for the provision of such services. According to section 2 of the Annex of the Resolution, the Regulation is applicable to SCMA.

Ministry of Communications Resolution No. 38/16, issued on May 5, 2016, approved the new Regulation of Virtual Mobile Operators ( VMO ) and revoked SC Resolution No. 68/14, which had approved the Regulation of Virtual Mobile Operators previously provided by former SC.

The mentioned Resolution provides that Network Mobile Operators ( NMO ), which have spectrum and infrastructure (among them, Personal), must submit, within 120 calendar days since the Resolution publication, a Reference Offer ( the RO ) for those interested in providing VMO services. The RO must be published annually in the NMO and on the Regulatory Authority official web site, and shall provide the economic and technical conditions (that will be freely established between the parties, reasonable, and non-discriminatory), clearly detailing the prices and conditions of each of the benefits and services to be provided.

This new Regulation is applicable for Mobile Communications Service (SCM), which includes Mobile Telecommunication Services (STM), Cellular Mobile Radio-communications Services (SRMC), Personal Communications Services (PCS) and Mobile Advanced Communications Services (SCMA). The Resolution also provides the procedures for the Services Agreements subscription between the NMO and the VMO, which will determine the terms and conditions under which the NMO will provide telecommunications network access and, where appropriate, telecommunications network interconnection the VMO.

On September 1, 2016, Personal filed a presentation to the Ministry of Communications through which it exposed substantial grounds for finding essential the suspension of the deadline for submission of the OR provided in Section 2 of Ministry of Communications Resolution No. 38/16, until the 700 MHz frequencies comprising Lot 8 (awarded and paid by Personal) were in full conditions of use and until the spectrum of Lot 1 of the Frequency Bands Public Auction developed by SC Resolution No. 38/14 was allocated and on-air. Through the mentioned presentation it was also requested: a) the removal of Section 10 of Annex I of the above-mentioned rule (which does not allow agreements with VMO on an exclusive basis); b) that ENACOM enclose interference measurements carried out in the 700 MHz Band awarded to Personal; and c) that ENACOM informs whether it has definitively resolved all the claims filed by the users of such band.



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Notwithstanding its presentation, on January 12, 2017, ENACOM charged Personal for non-compliance with the RO presentation. Personal has submitted its discharge rejecting the accusation and has submitted its RO, which validity is subject to the resolution of the legal issues exposed in its submissions.

**Decree No. 798/16: National Plan for the Development of Competitiveness Conditions and Quality of Mobile Communications Services**

Decree No. 798 published in the Official Gazette on June 22, 2016 issued within the scope of the Ministry of Communications approved the National Plan for the Development of Competitiveness Conditions and Quality of the Mobile Communications Services, which has its strategic focus on encouraging greater efficiency in the market, with quality services at fair and reasonable prices.

The above mentioned plan provides that within 90 days the Ministry of Communications shall, i) start the process of adaptation of the scheme approved by SC Resolution No. 157/97 (CPP scheme) to the provisions of the LAD; ii) update the General Regulation of MCS customers along with the process initiated by the SC Resolution No. 12/13, providing for the existence of mechanisms that would allow customers to access information about the quality of the service and to get benefits and/or compensation in their services in case of non-compliance with the established quality standards; (iii) start the process of adaptation of the Regulation on Administration, Management and Control of Frequency Bands (*Reglamento sobre Administración, Gestión y Control del Espectro Radioeléctrico*), to the provisions of the LAD, in order to introduce greater competitiveness in all services; (iv) update the National Scheme for the Granting of Frequency Bands (*Cuadro Nacional de Atribución de Bandas del Espectro Radioeléctrico*) so as to increase the availability of frequencies for the provision of mobile communications services, for which purpose the procedures provided in section 30 of the LAD will be initiated; v) incorporate to the Universal Service General Regulation (*Reglamento General del Servicio Universal*) approved by ENACOM Resolution No. 2,642/16, the granting of priority to consider -in programs with SU Funds- projects eligible to be developed in those Municipalities which have adopted the legislation proposed in the Code of Good Practices for the Deployment of Mobile Communication Networks (*Código de Buenas Prácticas para el Despliegue de Redes de Comunicaciones Móviles*) provided by the Argentine Federation of Municipalities and the Operators of Mobile Communications (*Federación Argentina de Municipios y los Operadores de Comunicaciones Móviles*) and supported by the former SC of the former Ministry of Federal Planning, Public Investment and Services on August 20, 2009, or those contemplating rules of similar characteristics that would not prevent, in fact or Law, the deployment of such networks; (vi) develop a National Contingency Plan for disaster situations; and (vii) Update the National Interconnection Regulations and Licensing for Telecommunications Services and the Scheme of Portability Number approved by SC Resolution No. 98/10.

This Decree also provides that the Ministry of Communications, through the ENACOM, shall, in a 60-calendar-day term, prepare measurement protocols that would enable to show the quality perception of MCS users, taking into account UIT parameters, and review and update quality standards for the ICT service networks through all the corresponding areas.

In addition, the ENACOM shall perform measurements of non-ionizing radiations in order to control that these remain within non-harmful levels to human health, and the Administration Agency for State Property (*Agencia de Administración de Bienes del Estado - AABE*) shall in its role as governing Body of the state property policy, perform procedures and administrative acts and relevant contracts to grant the use for valuable consideration of terraces, roofs, towers, solar and/or any installation, plant or property sector of the State that are suitable for the installation of supporting structures of antennas, equipment and installations associated with telecommunications, information technologies and communications and/or audiovisual communication services. The AABE will make available for the licensees of such services and for independent companies sharing passive infrastructure, the listing of state properties potentially suitable for such facilities.

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Among other aspects, the Decree provides that, as a way to encourage the rapid deployment of networks and the infrastructure sharing, rent fees will not be charged for a 1-year period for the use of state property in which base stations are installed within 3 months of publication of the rule in the Autonomous City of Buenos Aires, or within 6 months in the rest of the country. Under the same condition, this period will be extended to 3 years when the infrastructure is shared by two Mobile Services Licensees, and to 4 years when it is shared by more than two. Identical benefit will be granted if it is a sharing independent company of passive infrastructure, and the above conditions are met.

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In this regard, it is worth mentioning the agreement signed on April 27, 2016 between Personal, AMX Argentina S.A., Telefónica Móviles Argentina S.A., the Ministry of Communications and the Government of the Autonomous City of Buenos Aires, to facilitate the deployment of network infrastructure in the area of Comuna 1 of the Autonomous City of Buenos Aires, including the use of roofs and luminaries of the GCBA.

Through Resolution No. 5/2017 of the Ministry of the Interior, Public Works and Housing Court of Appraisals of the Nation (February 1, 2017), initial monthly rent fees for the year 2017 were approved, for the use against payment of terraces, roofs, solar towers or any installation, plant or sector of state property that are suitable for the installation of supporting structures of antennas, equipment and installations associated with telecommunications, information technologies and communications and audiovisual communication services.

**Tax Stability principle: impact of variations in social security contributions**

On March 23, 2007, the SC issued Resolution No. 41/07 relating to the impact of variations in social security contributions occurring after November 8, 1990 and the proposed use for the resulting savings and increases in contribution rates that have occurred.

Telecom Argentina had recorded a liability related to the savings caused by reductions in the levels of social security contributions initially earmarked for the Argentina@internet.todos Program. The mentioned savings were substantially generated during fiscal year 2000. Resolution No. 41/07 allowed Telecom Argentina to recover the increases in social security contributions that it has to pay as a consequence of the increase in social contributions rates.

Within this context and considering applicable the principle of tax stability provided by the Transfer Agreement approved by Decree No. 2,332/90, the Resolution authorized the aforementioned savings being offset with the amounts arising from the application of the mentioned increases.

The offset of both concepts and the determination of a balance, were subject to the audit results performed by the Regulatory Authority according to the information provided by Telecom Argentina. The mentioned audit was performed during the third quarter of 2007. Telecom Argentina took knowledge of the proceedings, in which the CNC recognized a receivable arising from increases in social contributions within the scope of Resolution No. 41/07, and cancelled payables arising from reduction in social contributions taxes with the Regulatory Authority and other sanctions imposed to Telecom Argentina.

As of December 31, 2017, Telecom Argentina has a net receivable of P\$33 million which, in addition to the receivable of P\$23 million corresponding to the *Impuesto a los Débitos y Créditos bancarios* ( IDC ) as explained below, is included in under the item Other receivables in our Consolidated Financial Statements.

Since Resolution No. 41/07 provides Telecom Argentina the right to offset receivables with existing and/or future regulatory liabilities and, given Telecom Argentina's intention to exercise this right, the receivable was recorded net of several provisions. As of December 31, 2017, the provisions which can be offset with the receivables arising from Resolution No. 41/07 and from IDC amounted to P\$56 million.

It should be noted that, as of December 2008, Telecom Argentina began to transfer to its customers the highest social contributions accrued as of October 2008 applying the same methodology used for the transfer of the IDC.

**Tax on deposits to and withdrawals from bank accounts charged to customers**

On February 6, 2003, the Ministry of Economy and Public Finance, through Resolution No. 72/03, defined the method to allow, going forward, rate increases on Basic Telephone Services reflecting the impact of the IDC. The amount of tax charged must be shown separately in customers bills. Telecom Argentina has determined the existence of a remaining unrecovered amount of approximately P\$23 million that arose before the issuance of Resolution No. 72/03.

In April 2007, Telecom Argentina provided the CNC with supporting documentation about this amount and in May 2007 filed its preliminary economic evaluation to the Regulatory Authority. Telecom Argentina took knowledge of the Regulatory Authority's documentation which corroborates the amount claimed by it and provides a similar offsetting method pursuant to Resolution No. 41/07 (as described in Tax Stability principle: impact of variations in social security contributions above). As a result, Telecom Argentina recorded as Non-current Other receivable a total of P\$23 million. This receivable is also included in the provisions for regulatory matters described above.

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**Renegotiation of the contract with the public administration**

*Convertibility period of the peso to the US dollar: dollarization of rates*

On November 28, 1991 Telecom Argentina and Telefónica signed an agreement with the Argentine government related to the rate regime, which was ratified by Decree No. 2,585/91 and was effective from December 18, 1991. The most relevant aspects included in this agreement that amended the rate regime provided by the Transfer Agreement were:

- The rate, measured in basic telephone pulses, was set in US dollars, adjustable twice a year (April and October) based on the variation of the U.S. C.P.I. (all items). These rate adjustments did not require the prior approval of the Regulatory Authority. Since 2000 these rate adjustments were not applied according to agreements signed with the SC, which delayed its implementation. Subsequently, in October 2001, an injunction prevented the continuity of application.
- The customers billing continued performing in local currency.

*Rates pesification: regulated public services rates freezing*

On January 6, 2002, the Argentine Government enacted Law No. 25,561, *Ley de Emergencia Pública y Reforma del Régimen Cambiario* (the Public Emergency Law ). This Law, by section 8, annulled adjustment clauses in dollars or other foreign currencies and indexation clauses based on price index and any other indexation method. As a consequence, from that date Telecom Argentina's rates were set in pesos at the exchange rate P\$1 per US\$ 1. As a consequence, regulated fixed service tariffs remained frozen until the end of the year 2015. Such freezing of tariffs violated the Transfer Contract and regulations that supplemented it.

Transfer Agreement and the resolution of the regulatory issues that negatively affected the operations of Telecom Argentina since the enactment of the Public Emergency Law and the Exchange Regime System Reform in January 2002 (pesification of rates, lack of compensation for SU features, increased penalties for delays in repairing and installation in fixed telephony, etc.), have not been fulfilled by the National Government making it responsible for the damages caused.

Additional information on Telecom Argentina's tariffs pesification, Letters of Understanding with the National Government/UNIREN and Price Cap are presented in consolidated financial statements of prior years.

**ENACOM Resolution No. 5,641-E/2017**

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

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

2.- To provide that in all those locations in Argentina that do not fall within the scope of the second paragraph of Section 5 of Decree No. 1,340/16, whatever the size of their population, where the Subscription Broadcasting Service by means of physical or radio-electric link is rendered by, at least, a licensee that has more than 700,000 subscribers nationwide, the Licensees mentioned in Section 94 of Law No. 27,078 may start providing services as from January 1, 2018.

3.- The Licensees mentioned in Section 94 of Law No. 27,078 (among them, Telecom Argentina) that are authorized to provide Subscription Broadcasting Service by means of physical or radio-electric link pursuant to Section 2 of said law may not make an integrated offering to provide said service with the rest of the services that they are currently providing in those locations until January 1, 2019.

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4.- To provide that in those locations in Argentina where subscription broadcasting services by means of physical or radio-electric link are not provided, the Licensees mentioned in Section 94 of Law No. 27,078 may, as from January 1, 2018, request authorization to provide services in the respective coverage areas, subject to an evaluation by the ENACOM.

**Other Regulations**

*Buy Argentine Act*

According to the provisions of section 1 of Law No. 25,551, which is regulated by Decree No. 1,600/02, Telecom Argentina, as a public fixed telephone service licensee, and their respective direct subcontractors, shall give preference to the purchase or lease domestic goods and services.

Section 2 of the mentioned law provides that a good or service is of domestic origin when it has been produced or extracted in Argentina, provided that the cost of raw materials, supplies or nationalized imported materials do not exceed 40% of the goods or services gross production value.

Section 3 of the mentioned law provides that the preference established in section 1 to domestic goods or services will apply when, for identical or similar goods or services, under cash payment terms, the price is equal to or lower than the price of imported goods or services, increased by 7% when the offering of the good or services is carried out by companies qualified as SME, and 5% when the offering of the good or services is carried out by other companies. For comparison purposes, the price of imported goods shall include import duties and taxes and all expenses required for its nationalization.

The mentioned law provides that the hiring companies shall announce their tenders in the Official Gazette as required by the regulation involved, so as to provide all possible bidders timely access to information that enables them to participate in the mentioned tender. It is worth mentioning that the communication provided in the hiring processes law for purchases subject to the Buy Argentine Act, establishes a considerable period prior to the issuance of the purchase order. The mentioned Act also establishes criminal sanctions for non-compliance.

Relating to services acquisitions, Decree No. 1,600/02 refers to Law No. 18,875, which provides the obligation to hire only companies, consultants and domestic professionals, as defined in the mentioned Law. Any exceptions must be approved by the competent Ministry.

In August 2004, the CNC Resolution No. 2,350/04, approved the Procedure for the accomplishment of the Buy Argentine Act, which includes the obligation to submit semiannual affidavits related to the compliance with the Act. The Act provides an administrative sanctions procedure for non-compliance with this information procedure.

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It is worth mentioning that this Act provides to Telecom Argentina less operational flexibility related to, among other matters, the terms lengthening in tenders, authorizations management prior to acquisitions and higher administrative expenses for the required semiannual information submission.

*ENACOM Resolution No. 4,656-E/2017 Model Agreement for the authorization for infrastructure sharing*

The Board of Directors of ENACOM issued Resolution No. 4656-E/2017, published in the Official Gazette on June 12, 2017, approving the model agreement for the Authorization for the Sharing of Active and / or Passive Infrastructure, Automatic Roaming and Goals of Service to be celebrated with each of the current providers of the SCMA who were awarded with the frequency bands for the provision of the Personal Communications service ( PCS ), the SRMC and the SCMA approved by SC Resolution No. 38/2014, delegating to the President of ENACOM the powers to subscribe the agreement within 15 working days.

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

On November 2, 2017, the ENACOM issued Resolution No. 3420-E/2017, through which it was decided to extend the delegation made in Resolution No. 4656-E/2017 for a 180 day-period.

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As of the date of this Annual Report, the agreement is still pending of subscription.

*Consultation documents under the General Regulation of Public Hearings and Consultation Documents for Communication Services provisions and General Regulation for the Participatory Elaboration of Standards*

Telecom Argentina and Personal have timely filed through the ICT Secretary their opinions and proposals for the following consultations and documents issued during 2017:

- **Document Consultation on ICT Network Service Quality** , issued through SECTIC Resolution No. 3-E/17 issued on March 13, 2017;
- **Document Interconnection and Access General Regulation Project** , issued through SECTIC Resolution No. 2-E/17, issued on March 13, 2017;
- **Document Public Hearing for Internet Matters** , issued through SECTIC Resolution No. 7-E/17, issued on May 12, 2017; and
- **Project Regulation of the ICT Services quality** , issued through Resolution 2-E/2017, issued on December 14, 2017.

*New General Rules Governing ICT Services Licenses*

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

*New General Rules Governing ICT Services Customers*

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On January 4, 2018, the Ministry of Modernization issued Resolution No. 733/2017, whereby it approved the new General Rules Governing ICT Services Customers. This Resolution will become effective on March 5, 2018, repealing SC Resolutions No. 490/1997, and Annexes I and III of SC Resolution No. 10,059/1999 and its supplementing regulations. Annex II of SC Resolution No. 10,059/1999 shall remain in effect, as applicable, until the enactment of the penalty regime provided under Section 63 of Law No. 27,078. Such New General Rules repeal the current general rules governing mobile and basic telephony services customers, thus becoming the only general rules that govern ITC services customers, including Internet access services and subscription broadcasting services.

Telecom Argentina is evaluating the impact of certain regulations (such as the 180-day period during which prepaid credit can be used) and analyzing eventual actions against other regulations that would violate its rights (for example, Section 56, which provides for compensation in favor of the customer, and Section 79, which establishes the obligation to replace any channels eliminated from the programming grid with other channels of similar quality).

### *New Number Portability Regulation*

On April 4, 2018, the Ministry of Modernization issued Resolution No. 203/2018, whereby it approved the new General Rules Governing Number Portability, including fix telephony services, and approves the schedule of implementation of such services. This Resolution repeals Resolutions N° SC 98/2010, SC 67/2011 y SC 21/2013 and Resolution MINCOM E 170/2017, and its supplementing regulations. Telecom Argentina is evaluating the impact of this new regulation

### *Decree No. 1,060/2017*

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

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For the purposes of this Decree, an Independent Operator of Passive Infrastructure is any individual or legal entity that, without being an information technology and communication services provider, has aerial, ground or underground infrastructure serving as support to networks to render those services, mainly comprised of towers, masts, posts, ducts, channels, conduits, cameras, cables, easement, right of way, optic fiber laying, antennae. Independent operators of passive infrastructure will not be required to have a license, authorization or permit to lease their infrastructure, notwithstanding the obligation to notify the ENACOM of the beginning of their activities to be entered in the registry that said agency will keep to that effect and to comply with the reporting obligations, as required. These operators may not have any legal title whatsoever granting them exclusiveness or preference for the deployment of infrastructure.

The Decree also provides that:

1) the Ministry of Modernization:

- a. shall issue comprehensive general rules with supplementary regulations for infrastructure sharing;
- b. shall develop, within a term of 180 days, a multi-year spectrum plan in order to maximize and increase the radio electric resources for the deployment of next-generation mobile networks and mobile services and mobile communication services in order to support traffic growth and improve service quality;
- c. shall issue supplementary or clarifying regulations relating to Section 29 of Law No. 27,078, establishing efficient procedures and avoiding distortions in competition;
- d. shall identify radio electric spectrum frequency bands for the development of new services and wireless applications and issue regulations allowing for their shared and unauthorized use.

2) It shall substitute Section 3 of Decree No. 798 dated June 21, 2016 with the following:

SECTION 3.- Mobile communications service (SCM) is defined as wireless telecommunications service with multiple capabilities which, irrespective of its operating frequency, through the use of mobile network architectures and the use of digital access technology, supports low and high user mobility, allows for the interoperability with other fixed and mobile networks for worldwide roaming.

It comprises Mobile Telephone Service (STM), Cellular Mobile Radiocommunications Service (SRMC), Personal Communication Service (PCS), Mobile Advanced Communications Service (SCMA) and their technological evolution.

3) The frequencies that are allocated and authorized to render radio electric trunking services (SRCE) may only be used to provide those services. The ENACOM may allocate frequencies to provide SCM and demand the return of the frequencies and migration of services pursuant to Section 28 and 30 of Law No. 27,078, and its regulations, or, at the request of the interested party, apply Section 4, subsection b) of Decree No. 1,340 dated December 30, 2016, and its regulations, establishing an economic compensation in favor of the National Government.

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

5) Delegate on the Ministry of Modernization the power to issue the penalty rules provided under Section 63 of Law No. 27,078, which shall repeal the current rules approved under Decree No. 1,185 dated June 22, 1990, as amended and supplemented.

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

1) Telecom Personal S.A.:

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

(i) to authorize Telecom Personal to transfer in favor of Telecom Argentina the registrations of Mobile Telephone Services, Cellular Mobile Radiocommunications Services; Personal Communications Services Area I, II, III, and Mobile Advanced Communications Services, as well as the resources, permits and frequencies granted in its name;

(ii) to revoke the licenses granted to Telecom Personal to render Data Transmission, Value Added and National and International Long-Distance Telephone Services;

(iii) to authorize the transaction reported by TELECOM whereby the controlling companies SOFORA TELECOMUNICACIONES S.A. and NORTEL INVERSORA S.A. are dissolved without liquidation pursuant to the Bidding Terms and Conditions approved under Decree No. 62/1990.

2) Cablevisión S.A.

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

(i) The Registration of physical and/or radio electric link broadcasting services, including the permits/frequencies required to provide radio electric link broadcasting services, as well as the area authorizations to provide those services (via physical and radio electric link), which may operate in Area II, defined as provided under Decree No. 1,461/93, as amended, and the city of Rosario, Province of Santa Fe, and the city of Córdoba, Province of Córdoba, as from January 1, 2018, as provided under Section 5 of National Decree No. 1,340/2016, and in the rest of the areas authorized on the dates and in the modalities provided under ENACOM Resolution No. 5,641/2017 dated December 20, 2017;

(ii) The Registration of the Radio Electric Trunking Service (SRCE); and

(iii) The authorizations and permits to use frequencies and allocations of numbering and sign-posting resources to provide the above-mentioned services held by Cablevisión, pursuant to effective regulations, and the agreement executed by NEXTEL COMMUNICATIONS ARGENTINA S.R.L. on April 12, 2017 (IF-2017-08818737-APN-ENACOM#MCO), whereby Telecom Argentina, in its capacity as absorbing company of Cablevisión, shall, within a term of two years as from the date on which the Merger is approved by the National Antitrust Commission and the ENACOM or any agency that may substitute them in the future, return the radio electric spectrum that exceeds the limit set under Section 5 of Resolution No. 171-E/17 issued by the Ministry of Communications and/or any regulation that may repeal it in the future. To those effects, Telecom Argentina shall file with the ENACOM, no later than one year in advance upon the expiration of the two-year term, a proposal to conform to that limit. The ENACOM may accept the proposal, reject it and/or request a new filing with any changes it may deem appropriate.

In addition, through that Resolution, the ENACOM authorized the change of corporate control, pursuant to Section 33 of the GCL. For more information, see Item 7 Major Shareholders and Related Party Transactions.

Such Resolution also approved:

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

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

In addition, the Resolution provides that:

(i) Telecom Argentina shall comply with Section 95 of Law No. 27,078, which provides for the conditions under which it may operate the physical and/or radio electric link subscription television service, transcribed below:

a. Telecom Argentina shall create a business unit to provide the audiovisual communication service and manage it separately from the public utility business unit.

b. It shall keep separate accounting records and bill the licensed services separately.

c. It shall not conduct anti-competitive practices such as tie-in practices and cross subsidies with funds from public utilities to licensed services.

d. It shall provide - when requested- to the competitors in licensed services access to its own support infrastructure, especially, posts, masts and ducts under market conditions. In the absence of agreement between the parties, the ENACOM shall intervene.

e. It shall not conduct anti-competitive practices concerning the rights to broadcast contents over its networks and facilitate a growing percentage to be established by the ENACOM to the distribution of contents from independent third parties.

f. It shall respect the professional competences and job classifications of the workers in the different activities it is engaged in.

(ii) Telecom Argentina is declared to be an operator with a significant position in the retail market of Fixed Internet Access market in the locations detailed in the Report prepared by the National Directorate for the

Development of Competition in Networks and Services of the ENACOM. As a result, it decided that:

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

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

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

SECTION 7 - The providers of Information Technology and Communications Services that make joint service offerings shall detail the price of each of those services, including the breakdown of those prices and discounts or benefits applied to each service or product for the above-mentioned offerings. Pursuant to Section 2, subsection i) of Law No. 25,156 and to Section 1,099 of the Civil and Commercial Code of Argentina, those providers may not subject, in any way and under any condition, the purchase of any service to the purchase of another service, thus preventing the customer from purchasing any service separately or individually.

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

*ENACOM Resolutions No. 840/18 and No. 1,196/18 New regime for Radioelectric Spectrum Fees*

On February 27, 2018, Resolutions No. 840/18 and No. 1,196/18 were published in the Official Gazette. Through these Resolutions, the ENACOM updated the value of the Radioelectric Spectrum Fee per Unit and, in addition, it established a new regime for mobile communications services, which substantially increases the amounts to be paid in this regard. Telecom Argentina is assessing the impacts and actions in this regard.





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**LEGAL FRAMEWORK**

***Law No. 27,260 of Historical Reparation for Retirees and Pensioners Reparación Histórica para Jubilados y Pensionados***

On July 22, 2016, Law No. 27,260 was published in the Official Gazette Historical Reparation for Retirees and Pensioners, where article 35 revokes Law No. 27,181. Article 30 of Law No. 27,260 establishes the prohibition for the transfer of national corporations shares authorized by the CNV to public offer which integrate the FGS, if as a consequence of such a transfer, ownership of such securities by the FGS is less than 7% of the total assets of the FGS, without prior express authorization of the National Congress, setting the following exceptions to this provision: 1. Public offers addressed to all holders of such assets and at an equitable price authorized by the CNV, in accordance with chapters II, III and IV of Title III of Law No. 26,831. 2. Stock swap for other stock of the same or another company in the context of a merger, division or corporate reorganization processes.

***Decree No. 894/16: corporate, political, and economic rights in charge of the ANSES***

Decree No 1,278/12 established that the Secretary of Economic Policy and Development Planning of the Ministry of Economy and Public Finances was in charge of the implementation of policies and actions related to the performance of the corporate rights on equity interest of companies where the State is a minority partner, and to this end, it approved a Regulation of representatives and directors appointed by the shares or equity interest of the National State.

In July 2016 Decree No. 894/16, established that in companies whose shares integrate the investment portfolio of the Sustainability Guarantee Fund of the Argentine Pension Integrated System (*Fondo de Garantía de Sustentabilidad del Sistema Integrado Previsional Argentino* or FGS ), the corporate, political, and economic rights pertaining to such shares shall not be exercised by the Secretary of Economic Policy and Development Planning as previously stated by Decree No. 1,278/12, but they are to be exercised by the ANSES.

In addition, Decree No. 894/16 established that the directors appointed by the ANSES shall have the functions, duties and powers set out by: (i) the GCL, (ii) the Law of Capital Market No. 26,831 and its complementary and regulatory provisions, (iii) all the regulations applicable to the company in which they perform their duties, and (iv) the company's bylaws and internal regulations, and shall have all the responsibilities they might be liable for under these regulations.

***Modification of Income Tax on dividend payment***

On December 27, 2017, the Argentine Congress approved a tax reform that came into force on December 29, 2017 as Law No. 27,430 (the Tax Reform ), generally effective January 1, 2018. The reform is intended to eliminate certain inefficiencies in the Argentine tax regime, diminish tax evasion, broaden income taxes to cover more individuals and encourage investment, with the long-term goal of restoring fiscal balance. The reform is part of a larger program announced by President Macri,

intended to increase employment, make the Argentine economy more competitive (by reducing the fiscal deficit, for example) and sustainably diminish poverty.

The main aspects of the Tax Reform include: (i) capital gains realized by individuals that are Argentine tax residents on sales of real estate (subject to certain exceptions, including a primary residence exemption) acquired after the enactment of the bill will be subject to tax at the rate of 15%, calculated on the acquisition cost adjusted for inflation; (ii) income obtained from currently exempt bank deposits and sales of securities (including government securities) by individuals that are Argentine tax residents will be subject to tax at the rate of (a) 5% in the case of those denominated in pesos, subject to fixed interest rate and not indexed, and (b) 15% for those denominated in a foreign currency or indexed; income obtained from the sales of shares made on an Argentine stock exchange will remain exempt, subject to compliance with certain requirements; (iii) corporate income tax will initially decline to 30% in 2019 and 2020 and to 25% starting in 2021; (iv) social security contributions will be gradually increased to 19.5% starting in 2022, in lieu of the differential scales currently in effect; and (v) the percentage of tax debits and credits that can be credited towards income tax will be gradually increased over a five year period, from the current 17% for credits to 100% for credits and debits.

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Additionally, the Law repeals the equalization tax (i.e., 35% withholding applicable to dividends distributed in excess of the accumulated taxable income) on income accrued from January 1, 2018 and onwards.

***Modification to Law No. 24,240 Consumer Protection***

On August 17, 2016, Law No. 27,265 was published in the Official Gazette (in force as from August 29, 2016) that incorporates an amendment to Law No. 24,240 of Consumer Protection. This addition (in section 10 quater) establishes the prohibition of collections of advance notice, advance month payment and/or any other concept on the part of the providers of services, including the public utilities, upon the consumer's request for cancellation of the service in any way, either in person, on the telephone, electronic or similar-shaped. In this sense, as from the last quarter of 2016, the Company abides by this regulation in cases where applicable.

***Corporate Criminal Liability for Corruption Crimes***

On December 1, 2017, the National Government published in the Official Gazette Law No. 27,401, whereby it establishes the Corporate Criminal Liability Regime for Crimes against Public Administration and International Bribery. The Law came into force on March 1, 2018.

The regime established under the Law applies to private legal entities, of national or foreign capital, with or without state participation, for the following crimes: (i) National and international bribery and influence peddling; (ii) Negotiations that are incompatible with public office; (iii) Illegal payments made to public officials under the guise of taxes or fees owed to the relevant government agency (concusión); (iv) Illicit enrichment by public officials and employees; and (v) Aggravated falsification of balance sheets and reports to conceal national and international bribery and influence peddling.

Legal entities are liable when these crimes are committed, directly or indirectly, with their involvement or in their name, interest or benefit. They are also liable when the third party acting in the benefit or interest of the entity did not have any powers to act on their behalf, provided the legal entity subsequently ratifies those acts.

The Law provides for successor liability, establishing that in those cases where a legal entity which is liable under this regime becomes involved in a transformation, merger, merger by acquisition, spin-off or any other corporate restructuring, said liability is transferred to the resulting or absorbing legal entity, therefore, the resulting or absorbing entity is criminally liable.

Legal entities are exempted from liability if the individual who committed the crime acted exclusively in his/her own benefit and without any benefit for the entity.

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The Law also sets out that legal entities may be convicted even if it is not possible to identify or prosecute the individual involved in the crime, provided that the circumstances of the case establish that the crime could not have been committed without acquiescence of the authorities of the legal entity.

The penalties applicable to legal entities are varied. Fines applicable to legal entities range from 2 to 5 times the undue benefit that was obtained or that could have been obtained through the actions carried out in violation of the Law. Other penalties may also be imposed on legal entities, namely: (i) full or partial suspension of activities for up to 10 years; (ii) debarment from participating in government bids and tenders for public works or services, or in any activity related to the Government, for up to 10 years; (iii) dissolution and liquidation of the legal entity -if it had been established for the sole purpose of committing crimes, or if those acts are the legal entity's core business-; (iv) loss or suspension of granted government benefits; (v) publication of an extract of the condemnatory sentence; (vi) forfeiture of goods or proceeds that are the result or profit of the crime.

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There are certain elements that the judges may take into account to adjust the penalties, namely: (i) failure to comply with internal rules and procedures; (ii) number and hierarchy of the officers, employees and associates involved; (iii) omission of vigilance on the actions of the perpetrators and accomplices in the crime; (iv) the extent of the damage caused; (v) amount of money involved in the commission of the crime; (vi) the legal entity's size, nature and economic capacity; (vii) the legal entity's spontaneous self-reporting to the authorities as a result of an internal investigation or detection; (viii) subsequent behavior; (ix) willingness to mitigate or repair the damage caused; and (x) recidivism (when the legal entity is sanctioned for an offense committed within three (3) years following the date on which a previous condemnatory sentence becomes final).

The legal entity is exempted from penalties and administrative liability when the following three circumstances take place simultaneously: (i) the legal entity spontaneously self-reports a crime set forth by this law as a consequence of internal detection and investigation; (ii) the legal entity established, before the facts under investigation occurred, a proper control and supervision system ( Integrity Program ) and the breach of such system required an effort by those involved in the crime; and (iii) the legal entity returned the undue benefit obtained through the crime.

The Law stipulates the possibility of legal entities implementing Integrity Programs consisting of actions, mechanisms and internal procedures for the promotion of integrity, supervision and control, focused on the prevention, detection and correction of irregularities and unlawful acts provided under the Law.

The implementation of an Integrity Program will be a required condition for legal entities to contract with the Argentine National Government when such contracts (i) must be approved by a public official ranked as minister or above; and (ii) fall under the National Government General Contracting Regime (Section 4 of Decree No. 1,023/01) and/or under the law of public works (Law No. 13,064), award of public works (No. 17,520), public-private partnerships (Law No. 27,328) or concession or licensing contracts for public services. (The regulation of the Law will have to establish how this requirement will be demonstrated and considered fulfilled to enter into these contracts.)

The Integrity Program which will have to be appropriate to the specific risks of the activities performed by the legal entity, its size and its economic capacity and, eventually, with the provisions established in the regulation of the Law must contain the following minimum elements: (i) a code of ethics or conduct, or the existence of integrity policies and procedures applicable to every director, manager and employee to guide the planning and performance of their duties or tasks in a manner that prevents the commission of crimes under the Law; (ii) specific rules and procedures to prevent unlawful acts within the scope of public tenders and bids, in the execution of administrative contracts or in any other interaction with the public sector; and (iii) the performance of regular training for directors, managers and employees about the Integrity Program. Additionally, the Integrity Program may contain (i) periodical risk analysis and consequent adjustment of the program; (ii) evident support to the program by top management; (iii) internal reporting channels; (iv) a policy protecting whistleblowers from retaliation; (v) an internal investigation system that respects the rights of those under investigation and imposes sanctions on violations of the Code of Ethics; (vi) procedures to verify the integrity and background of relevant third parties; (vii) due diligence during corporate transformation and acquisitions processes to evaluate potential illegal actions or vulnerabilities in the legal entities involved; (viii) continuous monitoring and evaluation of the program effectiveness; (ix) an internal compliance officer in charge of developing, coordinating and supervising the Integrity Program.

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The Law provides that the legal entity may enter into Effective Collaboration Agreements (*Acuerdos de Colaboración Eficaz*) with the Public Prosecutor's Office (*Ministerio Público Fiscal*). The agreements may be filed until the summons to trial. Through these agreements, the legal entity undertakes to cooperate to bring the facts of the case to light, to identify the perpetrators or accomplices, to recover the proceeds or profit from the crime, as well to fulfill the conditions set forth in the agreement. These agreements will be filled in exchange for a suspension of the prosecution and a reduction of the penalties that may be imposed.

**DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012 (ITRSHRA)**

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) requires an issuer to disclose in its annual or quarterly reports filed with the SEC whether the issuer or any of its affiliates has knowingly engaged in certain activities, transactions or dealings with the government of Iran, relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the annual or quarterly report. Disclosure is required even when the activities were conducted outside the United States by non-U.S. entities and even when such activities were conducted in compliance with applicable law.

In accordance with our Code of Ethics and Business Conduct, we seek to comply with all applicable laws.

*Activities relating to Iran*

**Telecom Group**

We have, to our knowledge, two activities relating to Iran: (i) our roaming agreement (mobile services) with Mobile Company of Iran (MCI) (formerly TCI), which allow our mobile customers to use their mobile device on a network outside their subscriber's home network (see Glossary of Terms *Roaming*) and (ii) our international telecommunications services agreements with international carriers (fixed services), which cover delivery of traffic to Iran through non-Iranian carriers.

*i. Roaming agreements (mobile services)*

Like all major mobile networks, in response to the competition and customers' demands, Personal entered into roaming agreements with many foreign mobile networks, including MCI, to allow their customers to make and receive calls abroad.

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Roaming agreements are entered into using standard terms and conditions including the one relating to Iran. Entering into roaming agreements is an activity carried out in the ordinary course of business by a mobile network operator.

Roaming agreements are generally reciprocal. Pursuant to a roaming agreement, when our mobile customers are in a foreign country covered by the network of an operator with which we have a roaming agreement (the Foreign Operator), our mobile customers may make and receive calls on their mobile phone using the Foreign Operator's network. Likewise, the Foreign Operator's customers may make and receive calls using our networks when these customers are in Argentina.

The Foreign Operator bills us for the calls made and received by our roaming customers at the rate agreed upon in the applicable roaming agreement. We then bill these customers according to the specific roaming fees in their subscription agreement. Likewise, we bill the Foreign Operator for the calls made and received by its clients using our networks for those calls, at the roaming rate agreed upon in the applicable roaming agreement, and then the Foreign Operator bills its clients according to their customer agreements. Roaming agreements do not, generally, contemplate other fees or disbursements.

In 2017, the consolidated impact on net profit (loss) arising from our roaming agreements with MCI was as follows:

- our total revenues under roaming agreements with MCI were approximately P\$2.6 thousand.
- our total charges paid under roaming agreements with MCI were approximately P\$3.9 thousand.

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These revenues and charges are immaterial to our consolidated revenues and operating expenses. Because we do not separately allocate costs directly attributable to the service provision or other overhead costs to these transactions, the amount of our consolidated net profits earned under these agreements is not determinable, but it does not exceed our gross revenues from the agreements.

Also, as of December 31, 2017, the amount for receivables for these concepts pending to collect were approximately P\$4.6 thousand.

The purpose of our roaming agreements is to provide our customers with coverage in areas where we do not own networks. For that purpose, we intend to continue maintaining our roaming agreements.

ii. *Commercial Agreements with International Carriers (fixed services):*

We maintain commercial agreements with international carriers from countries other than Iran, which permit those carriers to deliver traffic from Iran to our networks and from our networks to Iran. Telecom Argentina and Telecom Argentina USA's total charges paid under commercial agreements with international carriers regarding delivery of traffic to Iran were approximately P\$13.7 million.

Regarding incoming traffic, Telecom Argentina and Telecom Argentina USA charge the relevant international carrier for their traffic terminated in Telecom's network. Consequently, Telecom Argentina and Telecom Argentina USA do not know the country of origin of such traffic.

*Activities relating to Syria and Sudan*

In addition to the mandatory disclosure regarding the activities related to Iran described above, below we describe our activities that directly or indirectly relate to Syria and Sudan (designated by the U.S. Department of State as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls) ( Designated Countries ):

i. *Roaming agreements (mobile services)*

Operators of mobile telecommunications networks, including Telecom Argentina (Telecom Personal until November 30, 2017), enter into roaming agreements with other operators of mobile telecommunications networks in the ordinary course of business. See *Activities relating to Iran* Telecom Group for a description of roaming agreements.

We maintain roaming agreements with MTN Sudan Co. Ltd, in Sudan and MTN Syria (formerly Spacetel) in Syria. The purpose of all of these roaming agreements is to provide our customers with coverage in areas where we do not own networks. In order to remain competitive and maintain such coverage, we intend to continue maintaining these agreements.

As of December 31, 2017, the approximate revenues, expenses, receivables and payables from roaming agreements with the Designated Countries were as follows:

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Roaming agreements (mobile services)	Revenues	December 31, 2017		Payables
		Expenses	Receivables	
		In thousands of P\$		
Syria	0.02	1.89		90.94
Sudan		0.26		4.40
<b>Total</b>	<b>0.02</b>	<b>2.15</b>		<b>95.34</b>
<i>% of respective consolidated total amounts</i>	<i>(a)</i>	<i>(a)</i>		<i>(a)</i>

(a) Less than 0.001%.

ii. *Commercial Agreements with International Carriers (fixed services):*

We also maintain commercial agreements with international carriers from countries other than the Designated Countries which permit those carriers to deliver traffic from the Designated Countries to our networks and from our networks to such countries.

Regarding outgoing traffic, during 2017, Telecom has sent traffic to the Designated Countries mainly through Verizon Communications Inc. (United States) and KPN (Holland).

As of December 31, 2017, the total approximate expense for delivery of traffic terminated in the Designated Countries was:

Commercial Agreements with International Carriers (fixed services)	December 31, 2017 In thousands of P\$
Syria	44.1
<b>Total outbound costs</b>	<b>44.1</b>
<i>% of consolidated operating expenses</i>	<i>0.001%</i>

Regarding incoming traffic, Telecom Argentina and Telecom Argentina USA charge the relevant international carrier for their traffic terminated in Telecom's network. Consequently, Telecom Argentina and Telecom Argentina USA do not know the country of origin of such traffic.

Accordingly, our total payables and receivables from international carriers include those balances arising from traffic related with the Designated Countries but it is not possible to segregate them.

The outbound costs described in the table above are wholly immaterial with respect to the Company's consolidated operating expenses for the period presented.

**CAPITAL EXPENDITURES**

Capital expenditures (investment in Property, Plant and Equipment PP&E and Intangible Assets) amounted to P\$11,143 million in the year ended December 31, 2017, P\$11,386 million in the year ended December 31, 2016, and P\$10,100 million in the year ended December 31, 2015.

The following table sets forth our Total Additions (Capital Expenditures plus Materials) for the years ended December 31, 2017, 2016 and 2015, amounting to P\$12,576 million, P\$11,860 million and P\$11,162 million, respectively.

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	2017	Year ended December 31, 2016 (P\$ million)(1)	2015
Land and buildings	439	372	238
Switching and transmission equipment	2,487	2,134	1,870
Equipment and infrastructure for special projects	41	50	11
Mobile network access and external wiring	4,258	4,936	2,475
Computer equipment and software	1,676	1,397	1,251
Other	1,004	743	551
<b>Subtotal tangible capital expenditures (2)</b>	<b>9,905</b>	<b>9,632</b>	<b>6,396</b>
Rights of use, exclusivity agreements and licenses	20	32	2,304
Service connection or habilitation costs	50	41	36
Subscribers acquisition costs	1,168	1,681	1,364
<b>Subtotal intangible capital expenditures</b>	<b>1,238</b>	<b>1,754</b>	<b>3,704</b>
<b>Total capital expenditures</b>	<b>11,143</b>	<b>11,386</b>	<b>10,100</b>
Materials (3)	1,433	474	1,062
<b>Total additions in PP&amp;E and intangible assets</b>	<b>12,576</b>	<b>11,860</b>	<b>11,162</b>

(1) The allocation of work in progress among items is estimated.

(2) Includes materials transferred amounting to P\$3,700 million, P\$3,173 million and P\$1,888 million as of December 31, 2017, 2016 and 2015, respectively.

(3) Each year increase is calculated as the net amount between additions and transfers to work in progress during the year.

In addition, the following table shows capital expenditures for the years ended December 31, 2017, 2016 and 2015 broken down by Fixed Services and Mobile Services:

	2017	Year ended December 31, 2016 (P\$ million)(1)	2015
<b>Fixed Services</b>			
Land and buildings	284	248	177
Switching and transmission equipment	1,803	1,013	820
Equipment and infrastructure for special projects	41	50	11
External wiring	1,902	1,722	1,011
Computer equipment and software	520	397	510
Other	704	390	317
<b>Subtotal tangible capital expenditures</b>	<b>5,254</b>	<b>3,820</b>	<b>2,846</b>
Rights of use, exclusivity agreements and licenses	16	19	39
Service connection or habilitation costs	50	41	36
Subscribers acquisition costs	87	137	158
<b>Subtotal intangible capital expenditures</b>	<b>153</b>	<b>197</b>	<b>233</b>
<b>Total Fixed Services capital expenditures</b>	<b>5,407</b>	<b>4,017</b>	<b>3,079</b>
<b>Personal Mobile Services and Núcleo Mobile Services</b>			
Land and buildings	155	124	61
Switching and transmission equipment	684	1,121	1,050
Mobile network access	2,356	3,214	1,464
Computer equipment and software	1,156	1,000	741
Other	300	353	234
<b>Subtotal tangible capital expenditures</b>	<b>4,651</b>	<b>5,812</b>	<b>3,550</b>

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Rights of use, exclusivity agreements and licenses	4	13	2,265
Subscribers acquisition costs	1,081	1,544	1,206
<b>Subtotal intangible capital expenditures</b>	<b>1,085</b>	<b>1,557</b>	<b>3,471</b>
<b>Total Personal Mobile Services and Núcleo Mobile Services capital expenditures (2)</b>	<b>5,736</b>	<b>7,369</b>	<b>7,021</b>
<b>Total capital expenditures</b>	<b>11,143</b>	<b>11,386</b>	<b>10,100</b>

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(1) The allocation of work in progress among items is estimated.

(2) Includes P\$543 million, P\$639 million and P\$469 million of capital expenditures in Paraguay for the years 2017, 2016 and 2015, respectively

We estimate that our capital expenditures for the following 5 years will be approximately US\$5,000 million while for the year 2018 will be approximately US\$1,554, 24% of consolidated revenues. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Expenditures.

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We expect to finance these expenditures through cash flows generated by our operations and financing provided by third parties.

**PROPERTY, PLANT AND EQUIPMENT**

As detailed below, our principal physical properties consist of transmission equipment, access facilities, outside plant (external wiring) and switching equipment. These properties are, at present, mainly located throughout the AMBA and Northern Region. We believe that these assets are, and for the foreseeable future will be, adequate and suitable for their respective uses.

		As of December 31, 2017	
		Personal Mobile Services and Núcleo Mobile Services (P\$ million)(*)	Total
	Fixed Services		
Land and buildings	1,349	439	1,788
Switching and transmission equipment	4,682	3,412	8,094
Mobile network access and external wiring	6,347	6,020	12,367
Equipment & infrastructure for special projects .	242		242
Computer equipment and software	980	2,329	3,309
Materials	1,095	785	1,880
Others	344	514	858
<b>Total PP&amp;E, net carrying value</b>	<b>15,039</b>	<b>(**) 13,499</b>	<b>(***) 28, 538</b>

(\*) The allocation of work in progress among items is estimated.

(\*\*) Includes P\$2,598 million located in Paraguay.

(\*\*\*) Net of valuation allowance for materials for P\$144 million and impairment of PP&E for P\$305 million.

All of the above-mentioned assets were used to provide service to our customers as described below.

	2017	2016 (thousands)	2015
Fixed lines in service	3,795	3,920	4,043
Fixed Internet access lines	1,744	1,738	1,814
Mobile subscribers(*)	21,430	22,052	22,202

(\*) In 2017, 2016 and 2015, includes 2,450, 2,538 and 2,546 thousand Núcleo customers, respectively, of which 5, 5 and 6 thousand were Internet (Wi-Max) customers, respectively.

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As of December 31, 2017, we have entered into purchase commitments relating to PP&E totaling P\$4,205 million primarily for switching equipment, external wiring and network infrastructure. In general, the contracts are financed, directly or indirectly, by domestic and foreign vendors.

Our current major suppliers of PP&E are Huawei Tech Investment Co. Ltd. Argentina, Huawei International PTE. LTD (Singapore), Italtel Argentina S.A. (Argentina), Cía. Ericson S.A.C.I. (Argentina), Sofrecom Argentina S.A. (Argentina), Alcatel Lucent de Argentina S.A. (Argentina), Alcatel Lucent International (France), Nokia Solution and Networks (Argentina) and Vlocity UK Limited (United Kingdom).

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

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**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

You should read the following discussion in conjunction with our Consolidated Financial Statements, including the notes to those financial statements, which appear elsewhere in this Annual Report. Our Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB. See Item 3 Key Information Selected Financial Data. The following discussion and analysis are presented by the Management of our company and provide a view of our financial condition, operating performance and prospects from Management's perspective. The strategies and expectations referred to in this discussion are considered forward-looking statements and may be strongly influenced or changed by shifts in market conditions, new initiatives that we implement and other factors. Since much of this discussion is forward-looking, you are urged to review carefully the factors referenced elsewhere in this Annual Report that may have a significant influence on the outcome of such forward-looking statements. We cannot provide assurance that the strategies and expectations referred to in this discussion will come to fruition. Forward-looking statements are based on current plans, estimates and projections, and therefore, you should not rely solely on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. Please refer to Forward-Looking Statements and Item 3 Key Information Risk Factors for descriptions of some of the factors relevant to this discussion and other forward-looking statements in this Annual Report.

**Management Overview**

Telecom is considered one of the leading companies in the Argentine telecommunications sector. The Telecom Group continued focusing on business growth, especially through the deployment of 4G/LTE technology. This deployment allowed us to provide higher speeds of Internet access, improving the mobile customers' experience, particularly access to Multimedia content. In the fixed services segment we continued to satisfy the demand of higher bandwidth through the deployment of new technologies in the access and transport network.

As of December 31, 2017, the Telecom Group had 21.4 million mobile subscribers (of which 2.5 million came from our subsidiary Núcleo), 3.8 million fixed lines in service and 1.7 million fixed Internet Accesses (equivalent to 45% of fixed lines in service).

To promote the expansion of business, our capital expenditures amounted to P\$11,143 million in 2017, equivalent to 17% of consolidated revenues. Investments made by the Telecom Group and the estimated capital expenditures for 2018 (approximately 24% of consolidated revenues) are clear evidence of our commitment to our customers.

The following discussion and analysis summarizes relevant measures of results of operations presenting items by nature. The Company believes that the presentation of the measure adjusted EBITDA provides investors and financial analysts with appropriate information that is relevant to understanding the Company's past and present performance as well as our projections of future performance (see the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA). Moreover, adjusted EBITDA is one of the key performance measures used by Management for monitoring the Company's profitability and financial position, at each of the segments and consolidated levels.

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Continuing the trend of prior years, revenues in 2017 grew by 22% compared to 2016, reaching P\$65,186 million, and grew by 31% in 2016 compared to 2015, reaching P\$53,240 million. Adjusted EBITDA in 2017 increased by P\$4,932 million as compared to 2016, reaching P\$19,356 million (equivalent to 30% of total revenues), while in 2016 it increased by P\$3,558 million as compared to 2015, reaching P\$14,424 million (equivalent to 27% of total revenues). Operating income increased by P\$4,269 million in 2017 as compared to 2016, reaching P\$12,112 million (equivalent to 19% of total revenues) while in 2016 it increased by P\$1,614 million as compared to 2015, reaching P\$7,843 million (equivalent to 15% of total revenues). Net income increased by P\$3,719 million in 2017 as compared to 2016 reaching P\$7,724 million and it increased P\$570 million in 2016 as compared to 2015, reaching P\$4,005 million (equivalent to 8% of total revenues). Net income attributable to Telecom Argentina increased by P\$3,655 million in 2017 as compared to 2016, reaching P\$7,630 million, and it increased P\$572 million in 2016 as compared to 2015, reaching P\$3,975 million.

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For a discussion of the factors that may affect our results of operations see Item 3 Key Information Risk Factors and Years ended December 31, 2017, 2016 and 2015 Factors Affecting Results of Operations and Trend Information below.

For a detailed analysis of our results of operations for fiscal year 2017, see Years ended December 31, 2017, 2016 and 2015 below.

**Economic and Political Developments in Argentina**

In the second half of 2001 and through the first half of 2002, Argentina experienced a deep economic recession together with an overwhelming financial and political crisis. The rapid and radical nature of changes in the Argentine social, political, economic and legal environment created a very unstable macroeconomic environment. In January 2002, the Argentine government abandoned the convertibility regime which had fixed the peso/U.S. dollar exchange rate at 1:1 and adopted emergency economic measures which converted and froze the rates for the voice-regulated services in the Fixed Services segment into pesos at a 1:1 peso/U.S. dollar ratio (referred to herein as Pesification), among other measures. Capital outflows increased sharply, leading to a massive devaluation of the peso and an upsurge in inflation. By the end of 2002, the peso had devalued by 237% (having devalued 280% as of June 30, 2002) while the wholesale price index increased 118% and the consumer price index increased 41%.

After the above mentioned crisis, the Argentine economy began a new period of rapid growth. Argentina's GDP increased for six consecutive years, from 2003 to 2008. However, the international financial crisis of 2008 affected the country, which recorded a significant fall in its economic activity of 5.9%, interrupting the growth period mentioned above. Throughout 2010 and 2011, the economy showed a rapid and strong recovery, growing at an annual rate of 10.1% and 6.0%, respectively, but in 2012 a slowdown affected the economy and growth was again affected, decreasing by 1.0%. In 2013, better economic conditions helped to increase by 2.4% the country's economic activity, but a new slowdown was recorded during 2014 as a new decrease of 2.5% in economic activity was recorded. In 2015, growth resumed at a moderate rate of 2.6%, but during 2016 Argentina recorded a fall in its GDP of 2.2%. However, according to figures published by INDEC, Argentina recorded an increase in its GDP of 2.9% in 2017.

Inflation continued to be the main concern for the economy. According to official statistics reported by the INDEC, the consumer price index rose 9.5% in 2011, 10.8% in 2012 and 10.9% in 2013. Since January 2014, a new consumer price index is being published aimed at improving the accuracy of the macroeconomic statistics. In 2014, the new consumer price index (IPCNU) showed an increase of 23.9%. In addition, the INDEC estimates that the Argentine wholesale price index increased by 12.7% in 2011, 13.1% in 2012, 14.8% in 2013 and 28.3% in 2014.

On January 8, 2016, the current administration issued Decree No. 55/2016 declaring a state of administrative emergency with respect to the national statistical system and the INDEC until December 31, 2016. During this state of emergency, the INDEC has suspended publication of certain statistical data (regarding prices, poverty, unemployment and GDP) until it completes a reorganization of its technical and administrative structure capable of producing sufficient and reliable statistical information. As of the date of this Annual Report, INDEC had resumed publication of the aforementioned statistical data, although for some indicators, it has not yet disclosed or provided reestimated figures for certain time periods. Under these circumstances the INDEC has recommended the use of alternative indexes published by San Luis Province and by the Autonomous City of Buenos Aires, which are an integral part of the National Statistic System, until a new index in compliance with international standards is produced. The national CPI and the national wholesale Price index published by the INDEC for the period January-October 2015 was 11.9% and 10.6%, respectively. Additionally, CPI published by the San Luis Province and by the Autonomous City of Buenos Aires for the period November-December 2015 were 9.5% and 6.0%, respectively.

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INDEC resumed publication of the wholesale price index the entirety of 2016, which increased by 34.6% based on a year-to-year comparison. According to the latest available data, as INDEC has not disclosed figures for November and December 2015. In turn, the publication of the IPCNu index was resumed in June 2016 disclosing May 2016 monthly inflation figures, while data for the months of January to April of 2016 remains unavailable. Taking this into account, IPCNu index variation from May to December 2016 was 16.9%. Meanwhile, consumer price measures for Autonomous City of Buenos Aires and San Luis Province registered a 41.0% and 31.4% increase during 2016, respectively. During 2017, the INDEC published monthly IPC index regularly, registering an increase of 24.8% on a year-over-year comparison.

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For further detail regarding Argentine economic conditions see Item 3 Key Information Risk Factors Risks Relating to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins.

During 2017, the economic activity entered into a clear path of growth towards the second quarter, and gained a greater pace of expansion during the last two quarters of the year. In general, the performance of most of the economic sectors was positive, recording advances of different intensity in the level of activity. Regarding the international context, global growth became more robust, especially in advanced economies, with accelerated growth in Europe, Japan and the United States. Specifically and considering our main trading partners, there has been a recovery in the level of activity in Brazil when compared to the previous year, although with a growth rate of low magnitude, while in China levels of growth were steady, with a sustained expansion rate over recent years.

During the period between 2005 and 2007, the peso remained relatively stable against the U.S. dollar, with US\$1.00 trading within a range of P\$2.86 to P\$3.16. However, the international financial crisis created uncertainty that affected the Argentine exchange rate, as reflected by a peso/dollar exchange rate increase of 9.5% and 10.1% per year in 2008 and 2009, respectively. The peso/dollar exchange rate was relatively stable in 2010 and 2011, ending 2010 at P\$3.98 per US\$1.00 and 2011 at P\$4.30 per US\$1.00, increasing 4.7% and 8.0%, respectively. In 2012, 2013 and 2014, the pace of peso devaluation accelerated to 14.4%, 32.5% and 31.1%, respectively; and the official exchange rate ended the year at a P\$8.55 per US\$1.00. In December 2015, the current administration lifted many of the restrictions to access the FX Markets and the multiple exchange rate system was unified into a floating rate regime. As a consequence, a significant depreciation of the peso occurred, with the exchange rate at P\$13.04 per US\$ 1.00, an increase of 52.5% by the end of 2015. In addition, on April 21, 2016 the BCRA published Communication A 5955, whereby the limits for access to the MULC for payments of foreign accounts payable related to goods and services were eliminated, establishing that starting on the following day access to the market for such payments is unlimited, subject to compliance with the foreign exchange norms in force. As of December 31 2017, the exchange rate was P\$18.65 = US\$1.00, while on April 17, 2018, the exchange rate was P\$20.18= US\$1.00.

As the substantial majority of our property and operations are located in Argentina, macroeconomic and political conditions will continue to affect us. The Argentine government has exercised and continues to exercise significant influence over many aspects of the Argentine economy. Accordingly, Argentine governmental actions concerning the economy could significantly affect private sector entities in general and our operations in particular, as well as affect market conditions, prices and returns on Argentine securities, including ours. While our business continued growing in 2017, our operating results, financial condition and cash flows remain vulnerable to fluctuations in the Argentine economy. See Item 3 Key Information Risk Factors Risks Relating to Argentina.

**Critical Accounting Policies**

Our Consolidated Financial Statements, prepared in accordance with IFRS, are dependent upon and sensitive to accounting methods, assumptions and estimates that we use as a basis for its preparation. We have identified critical accounting estimates and related assumptions and uncertainties inherent in our accounting policies (that are fully described in Note 3 to our Consolidated Financial Statements), which we believe are essential to an understanding of the underlying financial reporting risks. Additionally we have identified the effect that these accounting estimates, assumptions and uncertainties have on our Consolidated Financial Statements.

**Use of estimates**

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IFRS involves the use of assumptions and estimates that may significantly affect the reported amounts of assets, liabilities and results of operations and any accompanying financial information.

Management considers financial projections in the preparation of the financial statements as further described below. These financial projections anticipate scenarios deemed both likely and conservative based upon macroeconomic, financial and industry-specific assumptions. However, actual results may differ significantly from such estimates.

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Variations in the assumptions regarding exchange rates, rates of inflation, level of economic activity and consumption, creditworthiness of our current and potential customers, aggressiveness of our current or potential competitors and technological, legal or regulatory changes could also result in significant differences from financial projections used by us for valuation and disclosure of items under IFRS.

The most important accounting estimates, those which require a high degree of subjective assumptions and judgments, are the following:

***Revenue recognition***

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Telecom Group and their amount can be measured reliably. Revenues are stated net of estimated discounts and returns.

Revenues from upfront connection fees for fixed, data and Internet services that are non-separable from the service are accounted for as a single transaction and deferred over the term of the contract or, in the case of indefinite period contracts, over the average period of the customer relationship (approximately eight years for the fixed telephony customers). Therefore, these revenues are influenced by the estimated expected duration of customer relationships for indefinite period contracts.

Revenues are also subject to estimations of the traffic measures. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on the traffic and are accrued at the end of the month. In addition, revenues from unexpired prepaid recharges made by customers are recognized on the basis of the services used, at the contract price per service.

Changes in these estimations, if any, may require adjustments to recorded revenues.

***PP&E and intangible assets***

*Useful lives and residual value*

We record PP&E and intangible assets at acquisition or construction cost. PP&E and intangible assets, except for indefinite useful life intangibles, are depreciated or amortized on a straight-line basis over their estimated useful lives. The determination of the depreciable amount of the assets and their useful lives involves significant judgment. We periodically review, at least at each financial year-end, the estimated useful lives of PP&E and amortizable intangible assets.

*Recoverability assessment of PP&E and intangible assets with finite useful life*

At a minimum at every annual closing date, we assess whether events or changes in circumstances indicate that PP&E and amortizable intangible assets may be impaired.

Under IFRS, the carrying value of a long-lived asset is considered impaired by the Company when the recoverable amount of such asset is lower than its carrying value. In such event, a loss would be recognized based on the amount by which the carrying value exceeds the recoverable amount of the long-lived asset. The recoverable amount is the higher of the fair value less costs to sell and its value in use (present value of the future cash flows expected to be derived from the asset, group of assets or cash generating unit). Once an impairment loss is identified and recognized, future reversal of impairment loss is permitted only if the indicators of the impairment no longer exist or have decreased.

The identification of impairment indicators and the estimate of the value in use for assets (or groups of assets or cash generating units) require Management to make significant judgments concerning the validation of impairment indicators, expected cash flows and applicable discount rates. Estimated cash flows are based on significant assumptions by Management about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, capital cost, etc.

For the years presented, we estimated that there are no indicators of impairment of assets that are subject to amortization, except for the net impairment loss of certain assets amounting to P\$234 million, P\$367 million and P\$230 million in 2017, 2016 and 2015, respectively. See Note 22 to our Consolidated Financial Statements.

However, changes in our current expectations and operating assumptions, including changes in our business strategy, technology, competition, changes in market conditions or regulations, could significantly impact these judgments and could require future adjustments to the carrying amount of recorded assets.



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*Intangible assets with indefinite useful life PCS license / Goodwill*

We determined that the PCS license, originally granted to Personal met the definition of an indefinite-lived intangible asset for the years presented. Therefore, Personal does not amortize the cost of this license. However, the Company tests it annually for impairment. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverability assessment of an indefinite-lived intangible asset such as the PCS license and the Goodwill recognized in the acquisition of Tuves Paraguay requires our Management to make assumptions about the future cash flows expected to be derived from such asset.

Such estimated cash flows are based on significant assumptions by Management about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, discount rate, etc.

In relation to PCS License, the Company's net cash flows projection is denominated in Argentine pesos, its functional currency. However, due to the fact that there is no prevailing long-term discount rate in pesos available in the market, we: (a) have converted such peso-denominated cash flows into U.S. dollars using future estimated exchange rates applicable to each period; and (b) have discounted these U.S. dollar-denominated cash flows at an annual U.S. dollar rate of approximately 10.5% in order to obtain the recoverable value of intangible assets with indefinite useful life.

Through this evaluation, it was determined that the carrying amount of the PCS license did not exceed the respective recoverable amount of the assets. As a result, no impairment has been recognized. Additionally no impairment has been recognized in relation to the Goodwill.

Our judgments regarding future cash flows may change due to future market conditions, competition, business strategy, the evolution of technology, changes in regulations and other factors. These changes, if any, may require material adjustments to the carrying amount of the PCS license and Goodwill.

*Income Taxes and Recoverability assessment of deferred income tax assets and other tax receivables / Deferred income tax measurement*

We are required to estimate our income taxes (current and deferred) in each of the companies of the Telecom Group according to a reasonable interpretation of the tax law in effect in each jurisdiction where the companies operate. This process may involve complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized for all deductible temporary differences to the extent that future taxable income will be available against which they can be utilized. The measurement of the recoverability of deferred tax assets requires estimating future taxable income based on the Company's projections and takes into account conservative tax planning.

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The recoverability assessment of the income tax receivable related to Telecom Argentina's actions for recourse filed during 2015, 2016 and 2017 regarding the amounts determined in excess due to lack of application of the income tax inflation adjustment, is based on the existing legal jurisprudence on this matter and the estimated future behavior of the National Tax Authority and of the National court in their review of the actions filed by Telecom Argentina (see Note 14 to our Consolidated Financial Statements).

If actual results differ from these estimates due to changes in tax authority's interpretations and the new fiscal jurisprudence, or we adjust those estimates in future periods, our financial position, results of operation and cash flows may be materially affected.

Since the change in the rates provided by Law No. 27,430, the corporate income tax rate decreases from 35% to 30% for fiscal years starting January 1, 2018 to December 31, 2019, and to 25% for fiscal years starting January 1, 2020 and onwards. Therefore, for the measuring of deferred income tax assets/liabilities, the fiscal year in which temporary differences will reverse has been estimated, and the corresponding income tax rate of each reversal period has been applied. The actual moment of the future income and tax deductions may differ from the estimated, and may produce an impact in future income.

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The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law as of the end of the reporting period and the effects of future changes in tax laws or rates are not anticipated.

***Receivables and payables valued at amortized cost***

Receivables and payables valued at amortized cost are initially recorded at their fair value, which is generally determined by using a discounted cash flow valuation method. The fair value under this method is estimated as the present value of all future cash flows discounted using an estimated discount rate, especially for long-term receivables and payables. The estimated discount rate used to determine the discounted cash flow of long-term receivables and payables was an annual rate in pesos of approximately 34% for 2017. The estimated discount rate used to determine the discounted cash flow of long-term receivables in U.S. dollars was an annual rate of 13% for years 2017 and 2016. The discount rate in Guaraníes for loans was 8.83% and 9.42% in 2017 and 2016, respectively and for accounts receivable was 9.8% in 2017 and 2016. The difference between the initial fair value and the nominal amount of receivables and payables is recognized as finance income or expense using the effective interest method over the relevant period.

Changes in these estimated discount rates could materially affect our financial position and results of operations.

***Provisions***

We are subject to proceedings, lawsuits and other claims related to labor, civil, tax, regulatory, commercial and other matters. In order to determine the proper level of provisions relating to these contingencies, we assess the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. We consult with internal and external legal counsel on these matters. A determination of the amount of provisions required, if any, is made after careful analysis of each individual issue. Our determination of the required provisions may change in the future due to new developments in each matter, changes in jurisprudential precedents and tribunal decisions or changes in our method of resolving such matters, such as changes in settlement strategy, and, therefore, these changes may materially affect our financial position, cash flows and results of operations.

***Allowance for Doubtful Accounts***

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make the required payments. We base our estimates on the aging of our accounts receivable balances, the requests by customers to unsubscribe, our historical write-offs, public sector and corporate customer creditworthiness and changes in our customer payment terms. If the financial condition of our customers were to deteriorate, the actual write-offs could be higher than expected.

**Years ended December 31, 2017, 2016 and 2015**

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For purposes of these sections, the fiscal years ended December 31, 2017, 2016 and 2015 are referred to as 2017, 2016 and 2015, respectively.

Our results of operations are determined in accordance with IFRS as issued by the IASB. The Telecom Group provides customers with a broad range of telecommunication services. To fulfill its purpose, the Telecom Group conducts different activities that are distributed among the companies in the Group aggregated into the following segments according to the nature of the products and services provided and economic characteristics:

<b>Segment</b>	<b>Company of the Telecom Group/Operating Segment</b>
Fixed Services	Telecom Argentina Telecom Argentina USA Micro Sistemas (i)
Personal Mobile Services	Personal (ii)
Núcleo Mobile Services	Núcleo (iii) Personal Envíos (iii) Tuves Paraguay (iv)

- 
- (i) Dormant entity during the years ended December 31, 2017, 2016 and 2015.
  - (ii) Until November 30, 2017, Telecom Argentina owned 100% of Personal. Since December 1, 2017 the Reorganization was effective and from that date, mobile services provided by Personal are continued by Telecom Argentina.
  - (iii) Non-controlling interest of 32.50% is owned by the Paraguayan company ABC Telecomunicaciones S.A.
  - (iv) Non-controlling interest of 22.75% is owned by the Paraguayan company ABC Telecomunicaciones S.A and 30% is owned by TUVES S.A. (Chile). On June 30, 2017, the transaction by which Núcleo acquired the 70% of shares and votes of Tuves Paraguay was performed.

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The main products and services in each segment for the years presented are:

- **Fixed Services:** local area, national long-distance and international communications, supplementary services (including call waiting, itemized invoicing, voicemail, etc.), interconnection with other operators, data transmission (including private networks, point-to-point traffic, radio and TV signal transportation), Internet services, IT solution Outsourcing and sales of equipment.
- **Personal Mobile Services and Núcleo Mobile Services:** service offerings include voice communications, high-speed mobile Internet content and applications download, MMS, SMS, among others; and sale of mobile communication devices (handsets, modems mifi and wingles). The services are supported in the different technologies of the mobile network (2G/3G/4G).

The following table shows a breakdown of our revenues by business segment for the years ended December 31, 2017, 2016 and 2015:

Segment	2017		2016		2015	
	Revenues (1) (P\$ million)	% of Consolidated Revenues	Revenues (1) (P\$ million)	% of Consolidated Revenues	Revenues (1) (P\$ million)	% of Consolidated Revenues
Fixed Services	20,460	31.4	15,014	28.2	10,736	26.5
Personal Mobile Services	41,735	64.0	35,584	66.8	28,054	69.3
Núcleo Mobile Services	2,991	4.6	2,642	5.0	1,706	4.2
<b>TOTAL</b>	<b>65,186</b>	<b>100.0</b>	<b>53,240</b>	<b>100.0</b>	<b>40,496</b>	<b>100.0</b>

(1) Includes service revenues and equipment sales and the effect of elimination of intersegment transactions.

Management's explanations under (B) Results of Operations by Segment below regarding changes in financial condition and results of operations for years 2017, 2016 and 2015 related to segments of the Company have been provided based on financial information under IFRS as disclosed in Note 28 to our Consolidated Financial Statements.

### Factors Affecting Results of Operations

Described below are certain factors that may be helpful in understanding our operating results. These factors are based on the information currently available to our Management and may not represent all of the factors that are relevant to an understanding of our current or future results of operations. See also Item 3 Key Information Risk Factors. Additional information regarding trends expected to influence our results of operations is analyzed below under Trend Information.

*Impact of Political and Economic Environment in Argentina:* Levels of economic activity affect our customers' consumption of our services, the demand for new mobile and fixed lines and Broadband accesses as well as the levels of uncollectible accounts and disconnections. Demand for our services and the amount of revenues we collect are also affected by inflation, the evolution of consumption in the economy, exchange rate variations and the rate of unemployment, among other factors.

*Price of services:* The LAD (as amended by Decree No. 267/15), under Title VI - Article 48, established that licensees of ICT services may freely set their prices which shall be fair and reasonable, to offset the costs of exploitation and to tend to the efficient supply and reasonable margin of operation. However, the Regulatory Authority is entitled to observe the prices set by the Company if it understands that they do not comply with the provisions of Article 48 of the LAD. If prices are observed as imposing restrictions on our prices our operating margins may be negatively affected. Before the LAD came into force, the service prices that Telecom Argentina charged in its fixed telephony service (including both monthly charges and measured service charges), installation charges, public telephone charges and charges for Internet dial-up traffic ( Regulated Services ) were subject to regulation.

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The impact of the service price adjustments on the Company's results of operations has been particularly relevant in recent years as a result of inflationary pressures on our costs structure.

*Competition:* The Argentine telecommunications market has become increasingly competitive. Competition is mainly focused on Internet and mobile services.

*Technology Developments and Capital Expenditures:* Improvements in technology influence our customers' demand for services and equipment. For example, demand for fixed-line telecommunications services has been affected by continued significant growth in mobile business. Growth in the fixed-services business at present is being driven by the expansion of Broadband for individuals and corporations and Telecom Argentina continuous updating of commercial and support systems. The increase in Broadband adoption has also proven to be a critical factor in facilitating the offering of Value Added Services to customers and the bundling of services.

In the fixed-services business, we must invest in our fixed-line network and information technology. Specifically, in Internet services, we must constantly upgrade our Access technology and software, embrace emerging transmission technologies and improve the responsiveness, functionality, coverage and features of our services.

In the mobile business, to provide its subscribers with new and better services, Telecom Argentina (the surviving entity of Personal) has to enhance its mobile networks extending 3G and 4G technology and bandwidth for mobile data transmission. Moreover, Telecom Argentina is developing a LTE infrastructure expeditiously, according to regulatory requirements (we must comply with the obligations arising from the acquisition of the 4G spectrum) and the mobile market development.

In addition, as new technologies develop, equipment may need to be replaced or upgraded, and network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures. See Item 4 Information on the Company Capital Expenditures.

*Devaluation of the peso:* The peso has been subject to significant devaluations in the past and may be subject to fluctuation in the future. In recent years, there was a significant devaluation which amounted to approximately 17.4% in 2017, 21.9% in 2016 and 52.5% in 2015. The majority of our revenues are in pesos whereas a portion of the costs regarding materials and supplies related to the construction and maintenance of our networks and services are incurred in foreign currencies. Also, the high level of competition limited our ability to transfer to our customers the fluctuations in the exchange rates between the peso and the U.S. dollar and other currencies. In addition, any devaluation of the peso against foreign currencies may increase operating costs (partially offset by the increase of revenues in foreign currencies), capital expenditures and the cost of debt, which will adversely affect our results of operations, considering the net effect on revenues and costs.

*Increase in inflation.* In the past, Argentina has experienced periods of high inflation. In recent years, inflation levels have been increasing and have remained relatively high. The economic recovery, a higher increase in public spending or a fast devaluation of the Argentine peso could lead to higher inflation. Any increase in inflation levels not accompanied by an increase in the rates we charge our customers could adversely affect our results of operations in nominal and real terms. See Item 3 Key Information Risk Factors Risks Relating to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom s margins.

Our Consolidated Financial Statements and the financial information included elsewhere in this Annual Report have been prepared on a historical basis in accordance with IFRS. However, due to the high level of inflation prevailing in Argentina in the last few years, Management analyzed the conditions established by IAS 29 paragraph 3 to consider an economy as hyperinflationary. It should be mentioned that if the conditions established by IAS 29 to consider an economy as a hyperinflationary are met, the restatement of financial statements must be made retroactively from the date of the revaluation used as deemed cost (in the case of Group companies located in Argentina, since February 2003) or from the acquisition date for assets acquired after that date.

Based on the analysis made as of December 31, 2017, the Company's management considers that as of December 31, 2017 there was insufficient evidence to consider the Argentina s economy as hyperinflationary under IAS 29. See Item 3 Key Information Risk factors Risks Relating to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom s margins , Economic and Political Developments in Argentina and Note 1.e) to the Consolidated Financial Statements.



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Although we believe that in 2018 inflation rates will reduce, IAS 29 and the IPTF recommended that Argentine issuers continue monitoring whether the Argentine economy qualifies as highly inflationary.

*Tax pressures and litigation.* Local municipalities in the regions where we operate have introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed-line and mobile networks. Local and federal tax authorities have brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. Also, jurisprudential changes in labor and pension matters have generated higher claims from employees and former employees and also increased claims from employees of a contractor or subcontractor alleging joint liability. We cannot assure you that the laws and regulations currently governing the economy or the telecommunications industry will not change, that the claims will be resolved in our favor, or that any changes to the existing laws and regulations will not adversely affect our business, financial condition, results of operations and cash flows as well.

**(A) Consolidated Results of Operations**

In the year ended December 31, 2017, we reported net income of P\$7,724 million, compared to net income of P\$4,005 million for the year ended December 31, 2016, and net income of P\$3,435 million for the year ended December 31, 2015. Net income attributable to Telecom Argentina increased by P\$3,655 million in 2017 as compared to 2016, reaching P\$7,630 million and increased by P\$572 million in 2016 as compared to 2015, reaching P\$3,975 million, from P\$3,403 million reported in 2015.

Consolidated revenues in 2017 were P\$65,186 million compared to P\$53,240 million in 2016 and P\$40,496 million in 2015. The increase of P\$11,946 million in 2017 (a 22% increase) can be largely attributed to the growth in the Personal Mobile Services segment, mainly due to outbound mobile services revenues and in Voice and Internet services included in the Fixed Services segment.

In 2017, operating expenses (including depreciation and amortization and disposals and impairment of PP&E) totaled P\$53,207 million, representing an increase of P\$7,727 million, or 17% as compared to 2016. In 2016, operating expenses (including depreciation and amortization and disposals and impairment of PP&E) totaled P\$45,480 million, representing an increase of P\$11,169 million, or 33% as compared to 2015. The increase in costs is mainly a consequence of higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure of the Telecom Group in Argentina, the increase in fees for services related to higher supplier prices, the increase in taxes, higher provisions costs and higher depreciation and amortization of PP&E and intangible assets, partially offset by a decrease of VAS costs, commissions and bad debt expenses.

**(A.1) 2017 Compared to 2016**

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	Years Ended December 31,		Total Change %		Change by segment (1)		
	2017	2016			Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)				(P\$ million)		
Revenues	65,186	53,240	22	11,946	5,446	6,151	349
Other Income	133	83	60	50	5	46	(1)
Operating expenses (without depreciation and amortization)	(45,963)	(38,899)	18	(7,064)	(5,186)	(1,799)	(79)
<b>Adjusted EBITDA(2)</b>	<b>19,356</b>	<b>14,424</b>	<b>34</b>	<b>4,932</b>	<b>265</b>	<b>4,398</b>	<b>269</b>
Depreciation and amortization	(6,928)	(6,198)	12	(730)	(339)	(347)	(44)
Disposals and Impairment of PP&E	(316)	(383)	(17)	67	(22)	89	
<b>Operating income</b>	<b>12,112</b>	<b>7,843</b>	<b>54</b>	<b>4,269</b>	<b>(96)</b>	<b>4,140</b>	<b>225</b>
Financial results, net	(486)	(2,244)	(78)	1,758			
Income tax expense	(3,902)	(1,594)	145	(2,308)			
<b>Net income</b>	<b>7,724</b>	<b>4,005</b>	<b>93</b>	<b>3,719</b>			

Net income attributable  
to:

	Years Ended December 31,		Total Change		Change by segment (1)		
	2017	2016			Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	Telecom Argentina (Controlling Company)	7,630			3,975	92	3,655
Noncontrolling interest	94	30	213	64			

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- (1) Includes the effect of eliminations of Intersegment transactions.
- (2) Adjusted EBITDA is a non-GAAP measure. See the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA .

**Revenues**

	Years Ended December 31,		Total Change %	Change by segment (1)		
	2017 (P\$ million)	2016		Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services
<b>Fixed Services segment</b>						
Voice	8,505	6,010	42	2,495	2,495	
Data	3,577	2,919	23	658	658	
Internet	7,715	5,994	29	1,721	1,721	
<b>Mobile Services segment</b>						
Outbound	32,505	26,826	21	5,679		5,116
Inbound	2,851	1,838	55	1,013		999
Other	1,818	1,767	3	51		125
<b>Service Revenues</b>	<b>56,971</b>	<b>45,354</b>	<b>26</b>	<b>11,617</b>	<b>4,874</b>	<b>6,240</b>
Equipment (2)	8,215	7,886	4	329	572	(89)
<b>Revenues</b>	<b>65,186</b>	<b>53,240</b>	<b>22</b>	<b>11,946</b>	<b>5,446</b>	<b>6,151</b>

- (1) Net of the Intersegment revenues effect.
- (2) This item is composed of voice, data and Internet equipment in each year.

During 2017, total consolidated revenues increased by 22% to P\$65,186 million from P\$53,240 million in 2016, mainly driven by Personal Mobile Services segment and Voice and Internet services in the Fixed Services segment.

Consolidated revenues for 2017 and 2016 are comprised as follows:

**Fixed Services**

During 2017, services revenues generated by this segment amounted to P\$19,797 million (+P\$4,874 million or +33% vs. 2016), where Voice revenues have grown the most (+P\$2,495 million or +42% vs. 2016), followed Internet services (+P\$1,721 million or +29% vs. 2016).

Voice revenues (including the net revenues generated by the subsidiary Telecom Argentina USA in the amount of P\$300 million) reached P\$8,505 million in 2017 (+42% vs. 2016). The increase was mainly due to the increase in plans prices.

Internet revenues amounted to P\$7,715 million in 2017 (+29% vs. 2016) as a result of the increase in the average plans prices. As a consequence, ARPU reached P\$359.6 per month in 2017 vs. P\$270.9 per month in 2016. As of December 31, 2017, the number of ADSL subscribers amounted to approximately 1,744,000. The churn rate per month amounted to 1.4% in 2017 (vs. 1.7% in 2016).

Data revenues (including the revenues generated by the subsidiary Telecom Argentina USA amounted to P\$16 million) amounted to P\$3,577 million in 2017 (+P\$658 million or +23% vs. 2016). These revenues were generated focusing on Telecom Argentina's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to the variation of the P\$/US\$ exchange rate (+17.4% vs. 2016), related to agreements settled in such foreign currency and to the increase in the revenues related to Innovation services (+P\$561 million or +27%).

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**Personal Mobile Services**

During 2017, total services revenues amounted to P\$34,289 million (+P\$6,240 million or +22% vs. 2016), being the principal business segment in revenues terms (60% and 62% of consolidated services revenues in 2017 and 2016, respectively). As of December 31, 2017, Personal Mobile Services Segment reached 19.0 million subscribers in Argentina (-2.7% vs. 2016). Approximately 65% of the subscriber base is prepaid subscribers and 35% is postpaid subscribers (including *Abono Fijo* and Mobile Internet subscribers - dongles).

The main ratios were:

- The churn rate per month amounted to 2.8% in 2017 (vs. 2.9% in 2016);
- ARPU amounted to P\$142.3 per month in 2017 (vs. P\$112.3 per month in 2016), representing a 27% increase (ARPU is a non-GAAP measure; see the purpose of use of ARPU and Reconciliation of Revenue for the calculation of ARPU in Section B.2 Personal Mobile Services Segment - Revenue);
- Revenues generated by mobile Internet services amounted to P\$17,048 million (+ P\$6,216 million or +57% vs. 2016), fueled by the migration of subscribers to higher value service plans and the increase in subscribers holding 3G and 4G handsets, which enhance Internet usage.

Outbound mobile services revenues amounted to P\$29,980 million in 2017 (+ P\$5,116 million or +21% vs. 2016). The increase was mainly due to the increase in monthly charges prices in the postpaid and *Abono fijo* subscriber base and to the increase of the online recharges in the prepaid subscriber base.

Inbound mobile services revenues (including CPP and TLRD) amounted to P\$2,710 million (+P\$999 million or +58% vs. 2016). This increase is mainly related to the increase in CPP revenues, mainly due to the increase of the price per minute of CPP services, which were partially offset by a decrease in traffic volumes. Additionally TLRD revenues increased, mainly due to the increase in TLRD average price per minute, which were partially offset by a decrease in interconnection traffic volumes.

Other mobile services revenues amounted to P\$1,599 million (+P\$125 million or +8% vs. 2016) mainly due to the increase in reconnection charges, which were partially offset by a decrease in international roaming traffic.

**Núcleo Mobile Services**

This segment generated services revenues equivalent to P\$2,885 million during 2017 (+P\$503 million or +21% vs. 2016) mainly due to the Internet revenues increase related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of December 31, 2017, Núcleo's subscriber base reached 2.4 million customers. Prepaid and postpaid subscribers (including *Plan Control* subscribers and mobile Internet subscribers) represented 83% and 17% in 2017, respectively.

Internet revenues amounted to P\$1,294 million (+32% vs. 2016) and represented 45% of Núcleo Mobile Services segment services revenues (vs. 41% in 2016).

### **Equipment**

Revenues from equipment increased by 4% to P\$8,215 million in 2017 from P\$7,886 million in 2016. The Fixed Services segment showed an increase of P\$572 million as compared to 2016, mainly due to the implementation of Tetra and NoBu projects, partially offset by a decrease in revenues from the Personal Mobile Services segment of P\$89 million as compared to 2016 and a decrease of P\$154 million in the Núcleo Mobile Services segment (a decrease of 59% as compared to 2016).

### **Other Income**

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided and gains on disposal of PP&E since 2016. During 2017, other income increased by 60% to P\$133 million from P\$83 million in 2016.

Table of Contents**Operating expenses (without depreciation and amortization)**

Total operating expenses (without depreciation and amortization and disposals and impairment of PP&E) increased by P\$7,064 million totaling P\$45,963 million in 2017, representing an 18% increase as compared to 2016.

	Years Ended December 31,		Total Change %		Change by segment (1)		
	2017 (P\$ million)	2016			Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services
Employee benefit expenses and severance payments	12,718	9,800	30	2,918	2,405	495	18
Interconnection costs and other telecommunications charges .	3,148	2,553	23	595	77	497	21
Fees for services, maintenance, materials and supplies	6,600	5,006	32	1,594	1,238	305	51
Taxes and fees with the Regulatory Authority	6,107	5,125	19	982	463	488	31
Commissions	3,631	3,849	(6)	(218)	90	(357)	49
Cost of equipment and handsets	6,684	6,188	8	496	388	286	(178)
Advertising	1,218	874	39	344	68	271	5
Cost of VAS	874	1,499	(42)	(625)	(8)	(715)	98
Provisions	590	187	216	403	105	297	1
Bad debt expense	1,113	1,228	(9)	(115)	41	(107)	(49)
Other operating expense	3,280	2,590	27	690	319	339	32
<b>Total operating expenses (without depreciation and amortization)</b>	<b>45,963</b>	<b>38,899</b>	<b>18</b>	<b>7,064</b>	<b>5,186</b>	<b>1,799</b>	<b>79</b>

(1) Net of the Intersegment transactions effect.

*Employee benefit expenses and severance payments*

During 2017, employee benefit expenses and severance payments were P\$12,718 million, representing a 30% increase from 2016. This was primarily due to salary increases that Telecom implemented across all segments with several trade unions with respect to the unionized employees (see Item 6 Directors, Senior Management and Employees Employees and Labor Relations ) and also to non-unionized employees, together with related social security charges.

With a total headcount of 15,396 at the end of 2017 (a decrease of 4% as compared to 2016), lines in service per employee reached 355 in the Fixed Services segment (a decrease of 1% as compared to 2016), 4,418 customers by employee in the Personal Mobile Services segment (an increase of 6% as compared to 2016) and 6,238 customers by employee in the Núcleo Mobile Services segment (a decrease of 1% as compared to 2016).

*Interconnection costs and other telecommunications charges*

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, interconnection costs, cost of international outbound calls and lease of circuits) amounted to P\$3,148 million in 2017 as compared to P\$2,553 million in 2016. The increase was mainly due to higher TLRD costs, partially offset by a decrease in roaming costs.

*Fees for services, maintenance, materials and supplies*

Expenses related to fees for services, maintenance, materials and supplies increased by 32% to P\$6,600 million in 2017 from P\$5,006 million in 2016. Maintenance, material and supplies costs increased 25% as compared to 2016 (including obsolescence of inventories) and fees for services increased 39% as compared to 2016. The increase was mainly due to higher connection costs and due to higher software maintenance costs in the Fixed Services segment and higher system licenses costs, in the Mobile Services segment. There were also increases in fees for services, mainly due to higher call centers costs and higher costs recognized by suppliers in all segments.



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*Taxes and fees with the Regulatory Authority*

Taxes and fees with the Regulatory Authority (including turnover tax, fees with the Regulatory Authority, tax on deposits and withdrawals from bank accounts, municipal and other taxes) increased by 19% to P\$6,107 million in 2017 from P\$5,125 million in 2016, mainly influenced by the increase in revenues of fixed and mobile services in Argentina and higher taxes on deposits and withdrawals from bank accounts related to higher collections and payments to suppliers, partially offset by a decrease in fees with the Regulatory Authority.

*Commissions*

Commissions (including agent, distribution of prepaid cards and other commissions) decreased by 6% to P\$3,631 million in 2017 from P\$3,849 million in 2016. The decrease was mainly due to the decrease in agents' commissions (-P\$59 million vs. 2016) as well as a decrease in collection commissions (-P\$148 million vs. 2016), and other commissions (-P\$90 million vs. 2016), partially offset by an increase in distribution of prepaid cards commissions (+P\$79 million vs. 2016).

Commissions are net of agents' commissions capitalized as Subscriber acquisition cost ( SAC ), which totaled P\$986 million in 2017 (a decrease of P\$417 million or -30% as compared to 2016), and it is directly related to the gross decrease of new customers in the *Abono Fijo* subscribers' base, mainly in the Personal Mobile Services segment, and the decrease in the commissions prices.

*Cost of equipment and handsets*

During 2017, the cost of equipment and handsets increased by 8% to P\$6,684 million from P\$6,188 million in 2016, mainly due to the implementation of Tetra and NoBu projects (telecommunications services contracts that include the sale of equipment and service revenues) in the Fixed Services segment and due to an increase in the average unit cost of sales (an increase of 21% as compared to 2016) which was partially offset by a decrease in the units of handsets sold (a decrease of 13% as compared to 2016) in the Personal Mobile Services segment. Also, in the Núcleo Mobile Services segment there was a decrease in the cost (-59% as compared to 2016) as a result of a decrease in the units of handsets sold.

Cost of equipment and handsets are net of handset costs capitalized as subscriber acquisition cost, which amounts to P\$80 million in 2017, -P\$50 million, or 38% lower than in 2016.

*Advertising*

Costs related to advertising increased by P\$344 million, or 39%, to P\$1,218 million in 2017, mainly due to an increase in media campaigns of the Telecom Group.

*Cost of VAS*

Cost of VAS amounted to P\$874 million in 2017 (a decrease of P\$625 million as compared to 2016), mainly due to the decrease of VAS sales in the Personal Mobile Services segment, as a consequence of the content suppliers depuration carried out within the content business general reorganization realized by Personal in 2016.

*Provisions*

During 2017, we recorded P\$590 million in provisions compared to P\$187 million recorded in 2016, representing a 216% increase. The increase was mainly due to higher labor claims (an increase of P\$185 million as compared to 2016) and higher civil and commercial claims (an increase of P\$183 million as compared to 2016). See Note 17 to our Consolidated Financial Statements for more information.

*Bad debt expenses*

In 2017, bad debt expense amounted to P\$1,113 million, a decrease of 9% as compared to P\$1,228 in 2016, representing 1.7% and 2.3% of consolidated revenues in 2017 and 2016, respectively. The major decrease is mainly observed in the Personal Mobile Services segment, as a consequence of greater efficiency in debt management.

Table of Contents*Other Operating Expenses*

Other operating expenses, which include transportation costs, energy and rentals, among others, increased by 27% to P\$3,280 million in 2017 from P\$2,590 million in 2016, primarily as a result of higher prices on related services, in the operations in Argentina and the increase of rent prices (an increase of P\$304 million or 40% as compared to 2016), as a result of new agreements and the renegotiation of some existing agreements.

For a further breakdown of our consolidated operating expenses, see (B) Results of Operations by Segment below.

**Adjusted EBITDA**

An important operational performance measure used by the Company's Chief Operating Decision Maker (as this term is defined in IFRS 8) is Adjusted EBITDA. Adjusted EBITDA is defined as our net income less income taxes, financial results, depreciation and amortization and disposals and impairment of PP&E. We believe Adjusted EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations such as capital structures, taxation and the useful lives and book depreciation and amortization of PP&E and intangible assets, which may vary for different companies for reasons unrelated to operating performance. Although Adjusted EBITDA is not a measure defined in accordance with IFRS (a non-GAAP measure), our Management believes that this measure facilitates operating performance comparisons from period to period and provides useful information to investors, financial analysts and the public in their evaluation of our operating performance. Adjusted EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies.

The following table shows the reconciliation of Net income to Adjusted EBITDA:

	Years Ended December 31,		%	Total Change
	2017	2016		
	(P\$ million)			
<b>Net income</b>	<b>7,724</b>	<b>4,005</b>	<b>93</b>	<b>3,719</b>
Income tax expense	3,902	1,594	145	2,308
Financial results, net	486	2,244	(78)	(1,758)
<b>Operating income</b>	<b>12,112</b>	<b>7,843</b>	<b>54</b>	<b>4,269</b>
Disposals and Impairment of PP&E	316	383	(17)	(67)
Depreciation and amortization	6,928	6,198	12	730
<b>Adjusted EBITDA</b>	<b>19,356</b>	<b>14,424</b>	<b>34</b>	<b>4,932</b>

Our consolidated Adjusted EBITDA was P\$19,356 million in 2017, (representing an increase of P\$4,932 million or 34% from P\$14,424 million in 2016). It represented 30% and 27% of total consolidated revenues in 2017 and 2016, respectively. This growth was mainly fueled by the Fixed Services segment (an increase of P\$581 million or 18% as compared to 2016) and Personal Mobile Services segment (an increase of P\$4,081 million or 40% as compared to 2016).

**Depreciation and Amortization**

Depreciation of PP&E and amortization of intangible assets increased by P\$730 million, or 12% as compared to 2016, to P\$6,928 million during 2017. The increase was mainly due to the increase in PP&E depreciation of P\$681 million (+P\$390 million in Mobile network access and External wiring, +P\$157 million in Transmission equipment and +P\$115 million in Computer equipments) and the increase in the amortization of SAC and Service connection costs of P\$50 million.

**Disposals and Impairment of PP&E**

In 2017 and in 2016, Disposals and impairment loss of PP&E amounted to P\$316 million and P\$383 million, respectively, and was mainly related to the Mobile swap of Vendors, and the simultaneous modernization of 2G/3G technology.

Table of Contents**Operating income**

During 2017, consolidated operating income was P\$12,112 million, representing an increase of P\$4,269 million or 54% from 2016. Operating income represented 19% and 15% of consolidated revenues in 2017 and 2016, respectively.

	Years Ended December 31,		% of Change 2017-2016 Increase/(Decrease)
	2017	2016	
	(P\$ million / %)		
<b>Adjusted EBITDA (1)</b>	<b>19,356</b>	<b>14,424</b>	<b>34</b>
<i>As % of revenues</i>	<i>30</i>	<i>27</i>	
Depreciation and amortization	(6,928)	(6,198)	12
<i>As % of revenues</i>	<i>(11)</i>	<i>(12)</i>	
Disposals and Impairment of PP&E	(316)	(383)	(17)
<b>Operating income</b>	<b>12,112</b>	<b>7,843</b>	<b>54</b>
<i>As % of revenues</i>	<i>19</i>	<i>15</i>	

(1) Adjusted EBITDA is a non-GAAP measure. See the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA .

**Financial Results**

During 2017, the Company recorded a net financial loss of P\$486 million compared to a net financial loss of P\$2,244 million in 2016. The variation is mainly due to lower interest on loans of the Company of P\$685 million, higher interest on receivables of P\$390 million and higher interest on time deposits and other investments at a total cost of P\$756 million.

**Income tax expense**

Income tax expense amounted to P\$3,902 million and P\$1,594 million in 2017 and 2016, respectively.

The Company's income tax charge includes three effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) tax receivable from the action for recourse filed by Telecom Argentina claiming income tax determined in excess.

(i) Regarding current tax expenses, the Telecom Group's generated tax profit in fiscal year 2017, resulting in an income tax payable of P\$4,438 million versus P\$2,091 million in 2016. (ii) Regarding the deferred tax, in 2017 and 2016, the Telecom Group's recorded a deferred tax gain of

P\$228 million and P\$129 million, respectively.

(iii) Telecom Argentina filed actions for recourse with the AFIP in 2015, 2016 and 2017 to claim the full tax determined in excess. The income tax determined in excess qualifies as a tax credit in compliance with IAS 12 and the Company recorded a gain of P\$308 million and P\$368 million in 2017 and 2016, respectively. For the determination of the tax credit valuation, the Company has estimated the amount of the tax -determined in excess for fiscal years 2009-2017 weighting the probability of certain variables according to the jurisprudential precedents known until such date. The Company's Management will assess Tax Authority's resolutions related to actions for recourse filed and the evolution of jurisprudence in order to annually measure the tax credit recorded. See Note 14 to our Consolidated Financial Statements.

### **Net Income**

For 2017, we recorded net income of P\$7,724 million (12% of total consolidated revenues), of which P\$7,630 million is attributable to Telecom Argentina.

For 2016, we recorded net income of P\$4,005 million (8% of total consolidated revenues), of which P\$3,975 million is attributable to Telecom Argentina.

Table of Contents**(A.2) 2016 Compared to 2015**

	Years Ended December 31,				Change by segment (1)		
	2016	2015	Total Change		Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%		(P\$ million)		
Revenues	53,240	40,496	31	12,744	4,278	7,530	936
Other Income	83	44	89	39	27	11	1
Operating expenses (without depreciation and amortization)	(38,899)	(29,674)	31	(9,225)	(3,637)	(4,933)	(655)
<b>Adjusted EBITDA (2)</b>	<b>14,424</b>	<b>10,866</b>	<b>33</b>	<b>3,558</b>	<b>668</b>	<b>2,608</b>	<b>282</b>
Depreciation and amortization	(6,198)	(4,438)	40	(1,760)	(371)	(1,094)	(295)
Disposals and Impairment of PP&E	(383)	(199)	92	(184)	92	(275)	(1)
<b>Operating income</b>	<b>7,843</b>	<b>6,229</b>	<b>26</b>	<b>1,614</b>	<b>389</b>	<b>1,239</b>	<b>(14)</b>
Financial results, net	(2,244)	(1,102)	104	(1,142)			
Income tax expense	(1,594)	(1,692)	(6)	98			
<b>Net income</b>	<b>4,005</b>	<b>3,435</b>	<b>17</b>	<b>570</b>			
<b>Net income attributable to:</b>							
<i>Telecom Argentina (Controlling Company)</i>	3,975	3,403	17	572			
<i>Noncontrolling interest</i>	30	32	(6)	(2)			

(1) Includes the effect of eliminations of Intersegment transactions.

(2) Adjusted EBITDA is a non-GAAP measure. See the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA .

**Revenues**

	Years Ended December 31,				Change by segment (1)		
	2016	2015	Total Change		Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%		(P\$ million)		
<b>Fixed Services segment</b>							
Voice	6,010	4,338	39	1,672	1,672		
Data	2,919	1,780	64	1,139	1,139		
Internet	5,994	4,557	32	1,437	1,437		
<b>Mobile Services segment</b>							
Outbound	26,826	20,901	28	5,925		5,199	726
Inbound	1,838	1,637	12	201		163	38
Other	1,767	1,267	39	500		429	71
<b>Service Revenues</b>	<b>45,354</b>	<b>34,480</b>	<b>32</b>	<b>10,874</b>	<b>4,248</b>	<b>5,791</b>	<b>835</b>
Equipment (2)	7,886	6,016	31	1,870	30	1,739	101

<b>Revenues</b>	<b>53,240</b>	<b>40,496</b>	<b>31</b>	<b>12,744</b>	<b>4,278</b>	<b>7,530</b>	<b>936</b>
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(1) Net of the Intersegment revenues effect.

(2) This item is composed of voice, data and Internet equipment in each year.

During 2016, total consolidated revenues increased by 31% to P\$53,240 million from P\$40,496 million in 2015, mainly driven by the mobile services provided by Personal and our Broadband and data transmission businesses.

Consolidated revenues for 2016 and 2015 are comprised as follows:

**Fixed Services**

During 2016, services revenues generated by this segment amounted to P\$14,923 million (+P\$4,248 million or +40% vs. 2015), where Voice revenues have grown the most (+P\$1,672 million or +39% vs. 2015), followed Internet services (+P\$1,437 million or +32% vs. 2015).



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Voice revenues (including the net revenues generated by the subsidiary Telecom Argentina USA in the amount of P\$265 million) reached P\$6,010 million in 2016. The increase was mainly due to the increase in monthly basic plans prices and the increase in the prices of supplementary services.

Internet revenues amounted to P\$5,994 million in 2016 as a result of the increase in the average plans prices. As a consequence, ARPU reached P\$270.9 per month in 2016 vs. P\$207.4 per month in 2015. As of December 31, 2016, the number of ADSL subscribers amounted to approximately 1,738,000. The churn rate per month amounted to 1.7% in 2016 (vs. 1.4% in 2015).

Data revenues (including the revenues generated by the subsidiary Telecom Argentina USA amounted to P\$9 million) amounted to P\$2,919 million in 2016 (+P\$1,139 million or +64% vs. 2015). These revenues were generated focusing on Telecom Argentina's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to the variation of the P\$/US\$ exchange rate related to agreements settled in such foreign currency and to the increase in the number of Innovation services customers (which generated an increase of P\$812 million as compared to 2015).

Personal Mobile Services

During 2016, total services revenues amounted to P\$28,049 million (+P\$5,791 million or +26% vs. 2015), being the principal business segment in revenues terms (62% and 65% of consolidated services revenues in 2016 and 2015, respectively). As of December 31, 2016, Personal reached 19.5 million subscribers in Argentina (-0.7% vs. 2015). Approximately 67% of the subscriber base is prepaid subscribers and 33% is postpaid subscribers (including *Abono Fijo* and Mobile Internet subscribers' dongles).

The main ratios were:

- The churn rate per month amounted to 2.9% in 2016 (vs. 3.1% in 2015);
- ARPU amounted to P\$112.3 per month in 2016 (vs. P\$91.5 per month in 2015), representing a 23% increase (ARPU is a non-GAAP measure; see the purpose of use of ARPU and Reconciliation of Revenue for the calculation of ARPU in Section B.2 Personal Mobile Services Segment Revenue);
- Revenues generated by mobile Internet services amounted to P\$10,832 million (+ P\$4,578 million or +73% vs. 2015), mainly explained by the increase in browsing services consumption of Personal's Service Segment subscribers; which was mainly fueled by the increase in the offer of services, plans and packs (including VAS) launched by the Company. This growth was fueled by new subscribers, the migration of subscribers to higher value service plans and the increase in subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing.

Outbound mobile services revenues amounted to P\$24,864 million in 2016 (+P\$5,199 million or +26% vs. 2015). The increase was mainly due to the increase in monthly charges prices in the postpaid and *Abono fijo* subscriber base and to the increase of the online recharges in the prepaid subscriber base partially offset by the net variation of the subscribers base.

Inbound mobile services revenues (including CPP and TLRD) amounted to P\$1,711 million (+P\$163 million or +11% vs. 2015). The increase was mainly due to an increase in interconnection prices, partially offset by a decrease in interconnection traffic.

Other mobile services revenues amounted to P\$1,474 million (+P\$429 million or +41% vs. 2015).

### *Núcleo Mobile Services*

This segment generated services revenues equivalent to P\$2,382 million during 2016 (+P\$835 million or +54% vs. 2015) mainly due to the appreciation of Guaraní and due to the Internet revenues increase related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of December 31, 2016, Núcleo's subscriber base reached 2.5 million customers. Prepaid and postpaid subscribers (including *Plan Control* subscribers and mobile Internet subscribers) represented 82% and 18% in 2016, respectively.

Internet revenues amounted to P\$978 million (+72% vs. 2016) and represented 41% of Núcleo Mobile Services segment services revenues (vs. 37% in 2015).

Table of Contents**Equipment**

Revenues from equipment increased by 31% to P\$7,886 million in 2016 from P\$6,016 million in 2015. The Personal Mobile Services segment showed an increase of P\$1,739 million as compared to 2015 due to an increase in handset s average sale price (an increase of 34% as compared to 2015), which was partially offset by a decrease in handset units sold (a decrease of 4% as compared to 2015), resulting in a higher operating margin. Núcleo Mobile Services segment reached an increase of P\$101 million (an increase of 64% as compared to 2015) due to an increase in handset s average sale prices including the effect of the devaluation of P\$ against Guaraníes (an increase of 78% as compared to 2015), partially offset by a decrease in handset units sold (a decrease of 8% as compared to 2015).

**Other Income**

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided and gains on disposal of PP&E since 2016. During 2016, other income increased by 89% to P\$83 million from P\$44 million in 2015, mainly due to an increase in penalties and indemnities collected from suppliers.

**Operating expenses (without depreciation and amortization)**

Total operating expenses (without depreciation and amortization and disposals and impairment of PP&E) increased by P\$9,225 million totaling P\$38,899 million in 2016, representing a 31% increase as compared to 2015.

	Years Ended December 31,		Total Change %	Change by segment (1)			
	2016 (P\$ million)	2015		Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services	
Employee benefit expenses and severance payments	9,800	7,253	35	2,547	1,952	525	70
Interconnection costs and other telecommunications charges .	2,553	2,170	18	383	235	110	38
Fees for services, maintenance, materials and supplies	5,006	3,919	28	1,087	532	478	77
Taxes and fees with the Regulatory Authority	5,125	3,943	30	1,182	300	854	28
Commissions	3,849	3,193	21	656	59	501	96
Cost of equipment and handsets	6,188	4,595	35	1,593	54	1,421	118
Advertising	874	814	7	60	18	16	26
Cost of VAS	1,499	1,256	19	243	15	193	35
Provisions	187	113	65	74	61	13	
Bad debt expense	1,228	564	118	664	73	489	102

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Other operating expense	2,590	1,854	40	736	338	333	65
<b>Total operating expenses (without depreciation and amortization)</b>	<b>38,899</b>	<b>29,674</b>	<b>31</b>	<b>9,225</b>	<b>3,637</b>	<b>4,933</b>	<b>655</b>

(1) Net of the Intersegment transactions effect.

*Employee benefit expenses and severance payments*

During 2016, employee benefit expenses and severance payments were P\$9,800 million, representing a 35% increase from 2015. This was primarily due to salary increases that Telecom implemented across all segments with several trade unions with respect to the unionized employees and also to non-unionized employees, together with related social security charges.

With a total headcount of 15,970 at the end of 2016 (a decrease of 2% as compared to 2015), lines in service per employee reached 360 in the Fixed Services segment (a decrease of 3% as compared to 2015), 4,187 customers by employee in the Personal mobile services segment (an increase of 5% as compared to 2015) and 6,317 customers by employee in the Núcleo mobile services segment (an increase of 1.5% as compared to 2015).

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*Interconnection costs and other telecommunications charges*

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, cost of international outbound calls and lease of circuits) amounted to P\$2,553 million in 2016 as compared to P\$2,170 million in 2015. The increase was mainly due to an increase in international outbound calls and Roaming traffic, and higher TLRD costs.

*Fees for services, maintenance, materials and supplies*

Expenses related to fees for services, maintenance, materials and supplies increased by 28% to P\$5,006 million in 2016 from P\$3,919 million in 2015. Maintenance, material and supplies costs increased 48% as compared to 2015 (including obsolescence of inventories) and fees for services increased 11% as compared to 2015. The increase was mainly due to higher maintenance costs of radio bases in the mobile services segments, as a result of the variation in the P\$/US\$ exchange rate, an increase in corrective and preventive technical assistance cost of radio bases, higher system licenses costs, higher costs of sites location and higher storage costs. There were also increases in other maintenance costs and fees for services, mainly due to higher costs recognized by suppliers in all segments.

*Taxes and fees with the Regulatory Authority*

Taxes and fees with the Regulatory Authority (including turnover tax, tax on deposits and withdrawals from bank accounts, municipal and other taxes) increased by 30% to P\$5,125 million in 2016 from P\$3,943 million in 2015, mainly influenced by the increase in revenues of fixed and mobile services in Argentina and higher taxes on deposits and withdrawals from bank accounts related to higher collections and payments to suppliers.

*Commissions*

Commissions (including agent, distribution of prepaid cards and other commissions) increased by 21% to P\$3,849 million in 2016 from P\$3,193 million in 2015. The increase was mainly due to the increase in agents' commissions (associated with higher revenues) as a result of higher customer's acquisition and retention costs recognized and an increase in outsourced sales commissions and collection commissions.

Commissions are net of agents' commissions capitalized as Subscriber acquisition cost ( SAC ), which totaled P\$1,403 million in 2016 (an increase of P\$231 million or 20% as compared to 2015), and it's directly related to the gross increase of new customers in the *Abono Fijo* subscribers' base, mainly in the Personal Mobile Services segment, and the increase in the commissions

prices.

*Cost of equipment and handsets*

During 2016, the cost of equipment and handsets increased to P\$6,188 million from P\$4,595 million in 2015, mainly due to an increase in the average unit cost of sales (an increase of 39% as compared to 2015) which was partially offset by a decrease in the units of handsets sold (a decrease of 4% as compared to 2015) in the Personal Mobile Services segment.

Cost of equipment and handsets are net of handset costs capitalized as SAC, which amounts to P\$130 million in 2016, P\$37 million, or 40% higher than in 2015.

*Advertising*

Costs related to advertising increased by P\$60 million, or 7%, to P\$874 million in 2016, mainly due to an increase in media campaigns of Personal related to the launch of 4G services throughout the country.

*Cost of VAS*

Cost of VAS amounted to P\$1,499 million in 2016 (an increase of P\$243 million as compared to 2015), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the Contents via SMS service) as a consequence of several campaigns launched by Personal.

*Provisions*

During 2016, we recorded P\$187 million in provisions compared to P\$113 million recorded in 2015, representing a 65% increase. The increase was mainly due to higher labor and regulatory claims, which were partially offset by lower civil and commercial claims. See Note 17 to our Consolidated Financial Statements for more information.

Table of Contents*Bad debt expenses*

In 2016, bad debt expense amounted to P\$1,228 million, an increase of 118% as compared to 2015, representing 2.3% and 1.4% of consolidated revenues in each of 2016 and 2015. The major increase is observed in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables and higher incidence of handset sales directly financed by Personal and Núcleo to its post-paid and *Abono Fijo* subscribers.

*Other Operating Expenses*

Other operating expenses, which include transportation costs, energy and rentals, among others, increased by 40% to P\$2,590 million in 2016 from P\$1,854 million in 2015, primarily as a result of higher prices on related services, especially in transportation, freight and travel expenses (an increase of P\$193 million or 25% as compared to 2015), among others, in the operations in Argentina; the increase of rent prices (an increase of P\$225 million or 42% as compared to 2015), as a result of new agreements and the renegotiation of some existing agreements and an increase in the energy cost (an increase of P\$181 million or 53% as compared to 2015), mainly due to an increase in prices.

For a further breakdown of our consolidated operating expenses, see *Results of Operations by Segment* below.

**Adjusted EBITDA**

An important operational performance measure used by the Company's Chief Operating Decision Maker (as this term is defined in IFRS 8) is Adjusted EBITDA. Adjusted EBITDA is defined as our net income less income taxes, financial results, depreciation and amortization and disposals and impairment of PP&E. We believe Adjusted EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations such as capital structures, taxation and the age and book depreciation and amortization of PP&E and intangible assets, which may vary for different companies for reasons unrelated to operating performance. Although Adjusted EBITDA is not a measure defined in accordance with IFRS (a non-GAAP measure), our Management believes that this measure facilitates operating performance comparisons from period to period and provides useful information to investors, financial analysts and the public in their evaluation of our operating performance. Adjusted EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies.

The following table shows the reconciliation of Net income to Adjusted EBITDA:

Years Ended December 31,		%	Total Change
2016	2015		
(P\$ million)			

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<b>Net income</b>	<b>4,005</b>	<b>3,435</b>	<b>17</b>	<b>570</b>
Income tax expense	1,594	1,692	(6)	(98)
Financial results, net	2,244	1,102	104	<b>1,142</b>
<b>Operating income</b>	<b>7,843</b>	<b>6,229</b>	<b>26</b>	<b>1,614</b>
Disposals and Impairment of PP&E	383	199	92	184
Depreciation and amortization	6,198	4,438	40	1,760
<b>Adjusted EBITDA</b>	<b>14,424</b>	<b>10,866</b>	<b>33</b>	<b>3,558</b>

Our consolidated Adjusted EBITDA was P\$14,424 million in 2016, (representing an increase of P\$3,558 million or 33% from P\$10,866 million in 2015). It represented 27% of total consolidated revenues, in each 2016 and 2015. This growth was mainly fueled by the Fixed Services segment (an increase of P\$760 million or 30% as compared to 2015) and Personal Mobile Services segment (an increase of P\$2,529 million or 32% as compared to 2015).

**Depreciation and Amortization**

Depreciation of PP&E and amortization of intangible assets increased by P\$1,760 million, or 40% as compared to 2015, to P\$6,198 million during 2016. The increase was mainly due to the increase in PP&E depreciation of P\$1,312 million, the increase in the amortization of SAC and Service connection costs of P\$429 million, and the increase in the amortization of other intangible assets of P\$19 million.



Table of Contents**Disposals and Impairment of PP&E**

In 2016, Disposal and impairment loss of PP&E amounted to P\$383 million, which was mainly related to the Mobile swap of Vendors in AMBA, and the simultaneous modernization of 2G/3G technology.

In 2015, the impairment is mainly related to projects of Telecom Argentina of P\$116 million (P\$107 million related to AFA Plus Project) and Telecom Personal of P\$114 million (Telecom Personal has assessed the recoverability of a group of former work in progress, recording an impairment of P\$44 million equivalent to its book value and an impairment of P\$49 million related to the total amount of works related to the discontinuation of the Orga Gold IT project and recorded an impairment of P\$21 million related to the Mobile swap of Vendors in AMBA, and the simultaneous modernization of 2G/3G technology).

**Operating income**

During 2016, consolidated operating income was P\$7,843 million, representing an increase of P\$1,614 million or 26% from 2015. Operating income represented 15% of consolidated revenues in each of 2016 and 2015.

	Years Ended December 31,		% of Change 2016-2015 Increase/(Decrease)
	2016	2015	
	(P\$ million / %)		
<b>Adjusted EBITDA (1)</b>	<b>14,424</b>	<b>10,866</b>	<b>33</b>
<i>As % of revenues</i>	27	27	
Depreciation and amortization	(6,198)	(4,438)	40
<i>As % of revenues</i>	(12)	(11)	
Disposals and Impairment of PP&E	(383)	(199)	92
<b>Operating income</b>	<b>7,843</b>	<b>6,229</b>	<b>26</b>
<i>As % of revenues</i>	15	15	

(1) Adjusted EBITDA is a non-GAAP measure. See the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA .

**Financial results, net**

During 2016, the Company recorded a net financial loss of P\$2,244 million compared to a net financial loss of P\$1,102 million in 2015. The variation is mainly due to higher interest on loans as a result of higher indebtedness of the Company of P\$1,047 million, lower interest on time deposits and other investments at a total cost of P\$272 million, higher interest on provisions at a total cost of P\$70 million, which were partially offset by lower foreign currency exchange losses net of NDF agreement of P\$85 million and higher interest on receivables of P\$190 million.

**Income tax expense**

Income tax expense amounted to P\$1,594 million and P\$1,692 million in 2016 and 2015, respectively.

The Company's income tax charge includes three effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) tax receivable from the action for recourse filed by Telecom Argentina claiming income tax determined in excess.

(i) Regarding current tax expenses, the Telecom Group generated tax profit in fiscal year 2016, resulting in an income tax payable of P\$2,091 million versus P\$1,721 million in 2015.

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(ii) Regarding the deferred tax, in 2016 and 2015, the Telecom Group recorded a deferred tax gain of P\$129 million and a deferred tax loss of P\$69.

(iii) Telecom Argentina filed actions for recourse with the AFIP in 2015 and 2016 to claim the full tax determined in excess. The income tax determined in excess qualifies as a tax credit in compliance with IAS 12 and the Company recorded a gain of P\$368 million and P\$98 million in 2016 and 2015, respectively. For the determination of the tax credit valuation, the Company has estimated the amount of the tax paid determined in excess for fiscal years 2009-2016 weighting the probability of certain variables according to the jurisprudential precedents known until such date. The Management will assess Tax Authority's resolutions related to actions for recourse filed and the evolution of jurisprudence in order to annually measure the tax credit recorded. See Note 14 to our Consolidated Financial Statements.

**Net Income**

For 2016, we recorded net income of P\$4,005 million (8% of total consolidated revenues), of which P\$3,975 million is attributable to Telecom Argentina.

For 2015, we recorded net income of P\$3,435 million (8% of total consolidated revenues), of which P\$3,403 million is attributable to Telecom Argentina.

**(B) Results of Operations by Segment****(B.1) Fixed Services Segment**

Results of operations for our Fixed Services segment for 2017, 2016 and 2015 are comprised as follows:

Revenues(1)	22,859	16,942	12,554	35	35
Other Income(2)	93	85	55	9	55
Operating expenses (without depreciation and amortization)(3)	(19,102)	(13,758)	(10,100)	39	36
Depreciation and amortization	(2,236)	(1,897)	(1,526)	18	24
Disposals and Impairment of PP&E	(21)	1	(91)	n/a	n/a
<b>Operating income</b>	<b>1,593</b>	<b>1,373</b>	<b>892</b>	<b>16</b>	<b>54</b>

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- (1) Includes intersegment revenues of P\$2,399 million, P\$1,928 million and P\$1,818 million in 2017, 2016 and 2015, respectively.
- (2) Includes intersegment other income of P\$22 million, P\$19 million and P\$16 million in 2017, 2016 and 2015, respectively.
- (3) Includes intersegment operating expenses of P\$316 million, P\$158 million and P\$137 million in 2017, 2016 and 2015, respectively.

### Revenues

During 2017, revenues from our Fixed Services segment increased by 35% to P\$22,859 million from P\$16,942 million in 2016. During 2016, revenues from our Fixed Services segment increased by 35% to P\$16,942 million from P\$12,554 million in 2015. The increase in each year was mainly due to an increase in Voice and Internet services. In 2017 Voice services increased substantially, particularly, due to increases in tariffs charged to commercial customers and to residential customers.

Revenues from our Fixed Services segment for 2017, 2016 and 2015 are comprised as follows:

	Years Ended December 31,			% of Change	
	2017	2016 (P\$ million)	2015	2017-2016 Increase/(Decrease)	2016-2015
Voice	8,505	6,010	4,338	42	39
Data	3,577	2,919	1,780	23	64
Internet	7,715	5,994	4,557	29	32
<b>Service Revenues</b>	<b>19,797</b>	<b>14,923</b>	<b>10,675</b>	<b>33</b>	<b>40</b>

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	Years Ended December 31,			% of Change	
	2017	2016 (P\$ million)	2015	2017-2016 Increase/(Decrease)	2016-2015
Equipment (1)	663	91	61	n/a	49
<b>Subtotal third-party revenues</b>	<b>20,460</b>	<b>15,014</b>	<b>10,736</b>	<b>36</b>	<b>40</b>
Intersegment	2,399	1,928	1,818	24	6
<b>Total Fixed Services revenues</b>	<b>22,859</b>	<b>16,942</b>	<b>12,554</b>	<b>35</b>	<b>35</b>

(1) This item is composed of voice, data and Internet equipment in each year.

During 2017, services revenues to third parties generated by this segment amounted to P\$19,797 million (+P\$4,874 million or +33% vs. 2016), where Voice revenues have grown the most (+P\$2,495 million or +42% vs. 2016), followed Internet services (+P\$1,721 million or +29% vs. 2016).

Voice revenues to third parties (including the net revenues generated by the subsidiary Telecom Argentina USA in the amount of P\$300 million) reached P\$8,505 million in 2017. The increase was mainly due to the increase in plans prices.

Internet revenues to third parties amounted to P\$7,715 million in 2017 as a result of the increase in the average plans prices. As a consequence, ARPU reached P\$359.6 per month in 2017 vs. P\$270.9 per month in 2016. As of December 31, 2017, the number of ADSL subscribers amounted to approximately 1,744,000. The churn rate per month amounted to 1.4% in 2017 (vs. 1.7% in 2016).

Data revenues to third parties (including the revenues generated by the subsidiary Telecom Argentina USA amounted to P\$16 million) amounted to P\$3,577 million in 2017 (+P\$658 million or +23% vs. 2016). These revenues were generated focusing on Telecom Argentina's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to the variation of the P\$/US\$ exchange rate (+17.4% vs. 2016) related to agreements settled in such foreign currency and to the increase in the revenues related to Innovation services' customers (+P\$561 million or +27% vs. 2016).

During 2016, services revenues to third parties generated by this segment amounted to P\$14,923 million (+P\$4,248 million or +40% vs. 2015), where Voice revenues have grown the most (+P\$1,672 million or +39% vs. 2015), followed Internet services (+P\$1,437 million or +32% vs. 2015).

Voice revenues to third parties (including the net revenues generated by the subsidiary Telecom Argentina USA in the amount of P\$265 million) reached P\$6,010 million in 2016. The increase was mainly due to the increase in monthly basic plan prices and the increase in the prices of supplementary services.

Internet revenues to third parties amounted to P\$5,994 million in 2016 as a result of the increase in the average plans prices. As a consequence, ARPU reached P\$270.9 per month in 2016 vs. P\$207.4 per month in 2015. As of December 31, 2016, the number of ADSL subscribers amounted to approximately 1,738,000. The churn rate per month amounted to 1.7% in 2016 (vs. 1.4% in 2015).

Data revenues to third parties (including the revenues generated by the subsidiary Telecom Argentina USA amounted to P\$9 million) amounted to P\$2,919 million in 2016 (+P\$1,139 million or +64% vs. 2015). These revenues were generated focusing on Telecom Argentina's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to the variation of the P\$/US\$ exchange rate related to agreements settled in such foreign currency and to the increase in the number of Innovation services customers (which generated an increase of P\$812 million as compared to 2015).

*Equipment*

Revenues from equipment amounted to P\$663 million in 2017 compared to P\$91 million in 2016 and P\$61 million in 2015. The increase in 2017 as compared to 2016, is mainly due to the implementation of Tetra and NoBu projects.

Table of Contents*Intersegment*

Intersegment revenues mainly include connectivity, corporate and operational service billed to Personal, interconnection services, which primarily include Access, termination and transportation of calls, leases of circuits, revenues related to billing and collection services charged.

During 2017, our intersegment revenues increased by 24% to P\$2,399 million from P\$1,928 million in 2016 which increased by 6% from P\$1,818 million in 2015. The intersegment revenues are eliminated at the consolidated level.

**Other Income**

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided and gains on disposal of PP&E since 2016. During 2017, other income increased by 9% to P\$93 million from P\$85 million in 2016. During 2016, other income increased by 55% from P\$55 million in 2015.

**Operating Expenses (without depreciation and amortization)**

During 2017, total operating expenses (without depreciation and amortization) for the Fixed Services segment increased by 39% to P\$19,102 million from P\$13,758 million in 2016 and increased by 36% from P\$10,100 million in 2015. The increases were mainly due to increases in employee benefit expenses and severance payments, fees for services, maintenance, materials and supplies and taxes and fees with the Regulatory Authority, Cost of Equipment and Provisions.

Detailed below are the major components of our operating expenses for the years ended December 31, 2017, 2016 and 2015 related to our Fixed Services segment:

	2017	Years Ended December 31, 2016 (P\$ million)	2015	% of Change 2017-2016 Increase/(Decrease) 2016-2015	
Employee benefit expenses and severance payments	9,625	7,220	5,268	33	37
Interconnection costs and other telecommunications charges	1,200	961	719	25	34
Fees for services, maintenance, materials and supplies	3,546	2,311	1,769	53	31
Taxes and fees with the Regulatory Authority	1,581	1,118	818	41	37
Commissions	417	327	268	28	22
Cost of equipment	524	136	82	285	66
Advertising	194	126	108	54	17

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Cost of VAS	45	53	38	(15)	39
Provisions	183	78	17	135	359
Bad debt expenses	193	152	79	27	92
Other operating expenses	1,594	1,276	934	25	37
<b>Total Fixed Services (1)</b>	<b>19,102</b>	<b>13,758</b>	<b>10,100</b>	<b>39</b>	<b>36</b>

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(1) Includes intersegment operating expenses of P\$316 million, P\$158 million and P\$137 million in 2017, 2016 and 2015, respectively. These costs are eliminated at the consolidated level.

*Employee benefit expenses and severance payments*

During 2017, employee benefit expenses and charges for severance payments were approximately P\$9,625 million, representing a 33% increase from P\$7,220 million in 2016. In 2016, employee benefit expenses and charges for severance payments increased by 37% from P\$5,268 million in 2015. The increases were mainly due to salary increases that Telecom implemented with several trade unions with respect to the unionized employees and also to non-unionized employees, together with related social security charges.

The Fixed Services segment had 10,702, 10,901 and 10,903 employees as of December 31, 2017, 2016 and 2015, respectively.



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*Interconnection costs and other telecommunications charges*

Interconnection costs and other telecommunications charges includes interconnection costs, lease of circuits and costs of international outbound calls, which reflect payments made under bilateral agreements between Telecom Argentina and international carriers in connection with outgoing calls made by our customers. Interconnection costs and other telecommunications charges included intersegment costs of P\$265 million, P\$103 million and P\$96 million in 2017, 2016 and 2015, respectively, that are eliminated at the consolidated level.

In 2017 interconnection costs and other telecommunications charges amounted to P\$1,200 million, representing an increase of 25% from P\$961 million in 2016. In 2016 such costs increased by 34% from P\$719 million in 2015.

*Fees for services, maintenance, materials and supplies*

During 2017, fees for services, maintenance, materials and supplies increased by 53% to P\$3,546 million from P\$2,311 million in 2016 and increased by 31% from P\$1,769 million in 2015.

The increase was mainly due to higher service connection costs and due to higher software maintenance costs. There was also an increase in fees for services mainly due to higher call centers costs and higher costs recognized to suppliers.

Fees for services, maintenance, materials and supplies are net of service connection fees capitalized (P\$73 million, P\$55 million and P\$50 million in 2017, 2016 and 2015, respectively).

Fees for services, maintenance, materials and supplies expenses included intersegment costs of P\$32 million, P\$35 million and P\$25 million in 2017, 2016 and 2015, respectively that are eliminated at the consolidated level.

*Taxes and fees with the Regulatory Authority*

Expenses related to taxes and fees with the Regulatory Authority increased by 41% to P\$1,581 million in 2017 from P\$1,118 million in 2016 and increased by 37% in 2016 from P\$818 million in 2015. The increase in 2017 and 2016 was mainly due to an increase in revenues. Also, in 2017 and 2016, the increase in taxes is due to higher taxes on deposits and withdrawals from bank accounts related to higher collections and payments to suppliers.

*Commissions*

During 2017, costs related to commissions amounted to approximately P\$417 million, representing an increase of 28% as compared to P\$327 million in 2016. In 2016, these charges increased by 22% from P\$268 million in 2015. The increase during both years was mainly due to the increase of collection commissions and the increase in agents' commissions (associated with higher revenues).

*Cost of equipment*

During 2017, 2016 and 2015 we recorded P\$524 million, P\$136 million and P\$82 million in cost of equipment, respectively. The increase in 2017 as compared to 2016, is mainly due to the implementation of Tetra and NoBu projects.

*Advertising*

During 2017, we recorded P\$194 million in costs of advertising representing an increase of 54% as compared to P\$126 million recorded in 2016. In 2016, these charges increased by 17% from P\$108 million in 2015.

*Cost of VAS*

Cost of VAS decreased to P\$45 million in 2017 from P\$53 million in 2016 and amounted to P\$38 million in 2015.

*Provisions*

During 2017, we recorded P\$183 million in provisions compared to P\$78 million recorded in 2016 and P\$17 million recorded in 2015. The increase in 2017 was mainly due to higher labor claims. The increase in 2016 was mainly due to higher labor claims amounting to approximately P\$53 million.

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*Bad debt expenses*

Bad debt expenses amounted to P\$193 million in 2017, P\$152 million in 2016 and P\$79 million in 2015. In 2017 these charges increased by 27%. In 2016, these charges increased by 92%. The increase was mainly due to higher aging of accounts receivable.

*Other Operating Expenses*

Other operating expenses include accrued expenses, such as transportation costs, insurance, international and satellite connectivity, energy and rentals.

During 2017, our other operating expenses amounted to P\$1,594 million compared to P\$1,276 million in 2016 and P\$934 million in 2015. The increase in 2017 was mainly due to higher prices for related services and the increase of rent prices, as a result of new agreements and the renegotiation of some existing agreements. The increase in 2016 was mainly due to higher prices for related services, especially in transportation, freight and travel expenses; the increase of rent prices, as a result of new agreements and the renegotiation of some existing agreements and an increase in the energy consumption.

**Depreciation and amortization**

Depreciation and amortization expenses were P\$2,236 million in 2017, P\$1,897 million in 2016 and P\$1,526 million in 2015.

**Disposals and Impairment of PP&E**

Disposals and Impairment of PP&E amounted to a P\$21 million loss in 2017 and a P\$1 million gain in 2016. The gain of P\$1 million was due to an impairment recovery of P\$4 million of former work in progress and others, partially offset by an impairment of P\$3 million related to the AFA Plus project.

**Operating Income**

Operating income represented 7%, 8% and 7% of total segment revenues in 2017, 2016 and 2015, respectively. In 2017, the operating income from our Fixed Services segment increased by 16% to P\$1,593 million from P\$1,373 million in 2016. In 2016, the operating income from our

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Fixed Services segment increased by 54% from P\$892 million in 2015.

### **(B.2) Personal Mobile Services Segment**

Results of operations from our Personal Mobile Services segment for 2017, 2016 and 2015 are comprised as follows:

	2017	Years Ended December 31,		% of Change	
		2016 (P\$ million)	2015	2017-2016 Increase/(Decrease)	2016-2015
Revenues (1)	42,066	35,750	28,198	18	27
Other Income	62	16	5	288	220
Operating expenses (without depreciation and amortization) (2)	(27,729)	(25,448)	(20,414)	9	25
Depreciation and amortization	(3,961)	(3,614)	(2,520)	10	43
Disposals and Impairment of PP&E	(295)	(384)	(109)	(23)	252
<b>Operating income</b>	<b>10,143</b>	<b>6,320</b>	<b>5,160</b>	<b>60</b>	<b>22</b>

(1) Includes intersegment revenues of P\$331 million, P\$166 million and P\$144 million in 2017, 2016 and 2015, respectively.

(2) Includes intersegment operating expenses of P\$2,402 million, P\$1,930 million and P\$1,829 million in 2017, 2016 and 2015, respectively.

### **Revenues**

During 2017, revenues from our Personal Mobile Services segment increased by 18% to P\$42,066 million from P\$35,750 million in 2016 and increased by 27% from P\$28,198 million in 2015. The increase in each year was mainly due to the increase in prices of our services and the increase in the monthly consumption of the offered services, primarily Internet services.

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An important monthly operational measure used in the Personal Mobile Services segment is ARPU, which we calculate by dividing adjusted total service revenues excluding outcollect wholesale roaming, cell site rental and reconnection fee revenues and others (divided by 12 months) by the average number of subscribers during the period. ARPU is not a measure calculated in accordance with IFRS and our measure of ARPU may not be calculated in the same manner as similarly titled measures used by other companies. In particular, certain components of service revenues are excluded from Personal's ARPU calculations presented in this Annual Report. Management believes that this measure is helpful in assessing the development of the subscriber base in the Personal Mobile Services segment. The following table shows the reconciliation of total service revenues to such revenues included in the ARPU calculations:

	2017	Years Ended December 31, 2016 (P\$ million)	2015
<b>Total service revenues</b>	<b>34,620</b>	<b>28,215</b>	<b>22,402</b>
Components of service revenues not included in the ARPU calculation:			
Outcollect wholesale roaming	(266)	(287)	(288)
Cell sites rental	(108)	(88)	(54)
Reconnection fees and others	(1,296)	(1,171)	(730)
<b>Adjusted total service revenues included in the ARPU calculation (1)</b>	<b>32,950</b>	<b>26,669</b>	<b>21,330</b>
Average number of subscribers during the year (thousands)	19,297	19,798	19,436

(1) Certain components of service revenues are not included in the ARPU calculation. Includes Intersegment revenues for P\$331 million in 2017, P\$166 million in 2016 and P\$144 million in 2015.

During 2017, ARPU increased by 27% to approximately P\$142.3 per customer per month compared to approximately P\$112.3 per customer per month in 2016. ARPU reached P\$91.5 per customer per month in 2015.

The total number of Personal's subscribers decreased by approximately 2.7% to 19.0 million as of December 31, 2017 from 19.5 million as of December 31, 2016 and decreased 0.7% from 19.7 million as of December 31, 2015. As of December 31, 2017, our subscriber base amounted to approximately 12.4 million prepaid subscribers (customers that made at least one recharge in the previous thirteen months as of December 31, 2017), or 65% of the total subscriber base, approximately 2.1 million post-paid subscribers, or 11% of the total subscriber base and approximately 4.5 million *Abono Fijo* plan subscribers, or 24% of the total subscriber base.

At least a 65% of prepaid customers made a recharge in the 180 days prior to the date of the year end of this Annual Report.

Revenues from our Personal Mobile Services segment for 2017, 2016 and 2015 are comprised as follows:

	2017	Years Ended December 31, 2016	2015	% of Change 2017-2016	2016-2015
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		(P\$ million)		Increase/(Decrease)	
Outbound	29,980	24,864	19,665	21	26
Inbound	2,710	1,711	1,548	58	11
Other	1,599	1,474	1,045	8	41
<b>Services Revenues</b>	<b>34,289</b>	<b>28,049</b>	<b>22,258</b>	<b>22</b>	<b>26</b>
Equipment	7,446	7,535	5,796	(1)	30
<b>Subtotal third-party revenues</b>	<b>41,735</b>	<b>35,584</b>	<b>28,054</b>	<b>17</b>	<b>27</b>
Intersegment	331	166	144	99	15
<b>Total Personal Mobile Services Revenues</b>	<b>42,066</b>	<b>35,750</b>	<b>28,198</b>	<b>18</b>	<b>27</b>

During 2017, total services revenues amounted to P\$34,289 million (+P\$6,240 million or +22% vs. 2016), being the principal business segment in revenues terms (60% and 62% of consolidated services revenues in 2017 and 2016, respectively).

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The main ratios were:

- The churn rate per month amounted to 2.8% in 2017 (vs. 2.9% in 2016);
- ARPU amounted to P\$142.3 per month in 2017 (vs. P\$112.3 per month in 2016), representing a 27% increase;
- Revenue generated by mobile Internet services amounted to P\$17,048 million (+ P\$6,216 million or +57% vs. 2016), fueled by the migration of subscribers to higher value service plans and the increase in subscribers holding 3G and 4G handsets, which enhance Internet usage.

Outbound mobile services revenues amounted to P\$29,980 million in 2017 (+P\$5,116 million or +21% vs. 2016). The increase was mainly due to the increase in monthly charges prices in the postpaid and *Abono fijo* subscriber base and to the increase of the online recharges in the prepaid subscriber base.

Inbound mobile services revenues (including CPP and TLRD) amounted to P\$2,710 million (+P\$999 million or +58% vs. 2016). This increase is mainly related to the increase in CPP revenues, mainly due to the increase of the price per minute of CPP services, which were partially offset by a decrease in traffic volumes. Additionally TLRD revenues increased, mainly due to the increase in TLRD average price per minute, which were partially offset by a decrease in interconnection traffic volumes.

Other mobile services revenues amounted to P\$1,599 million (+P\$125 million or +8% vs. 2016) mainly due to the increase in reconnection charges, which were partially offset by a decrease in international roaming traffic.

During 2016, total services revenues amounted to P\$28,049 million (+P\$5,791 million or +26% vs. 2015), being the principal business segment in revenues terms (62% and 65% of consolidated services revenues in 2016 and 2015, respectively). As of December 31, 2016, Personal reached 19.5 million subscribers in Argentina (-0.7% vs. 2015). Approximately 67% of the subscriber base is prepaid subscribers and 33% is postpaid subscribers (including *Abono Fijo* and Mobile Internet subscribers dongles).

The main ratios were:

- The churn rate per month amounted to 2.9% in 2016 (vs. 3.1% in 2015);

- ARPU amounted to P\$112.3 per month in 2016 (vs. P\$91.5 per month in 2015), representing a 23% increase;
- Revenue generated by mobile Internet services amounted to P\$10,832 million (+ P\$4,578 million or +73% vs. 2015), mainly explained by the increase in browsing services consumption of Personal's Service Segment subscribers; which was mainly fueled by the increase in the offer of services, plans and packs (including VAS) launched by the Company. This growth was fueled by new subscribers, the migration of subscribers to higher value service plans and the increase in subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing.

Outbound mobile services revenues amounted to P\$24,864 million in 2016 (+P\$5,199 million or +26% vs. 2015). The increase was mainly due to the increase in monthly charges prices in the postpaid and *Abono fijo* subscriber base and to the increase of the online recharges in the prepaid subscriber base, partially offset by the net variation of the subscribers' base.

Inbound mobile services revenues (including CPP and TLRD) amounted to P\$1,711 million (+P\$163 million or +11% vs. 2015). The increase was mainly due to an increase in interconnection prices, partially offset by a decrease in interconnection traffic.

Other mobile services revenues amounted to P\$1,474 million (+P\$429 million or +41% vs. 2015).

#### *Equipment*

Equipment revenues consist primarily of revenues from the mobile handsets sold to new and existing subscribers and to agents and other third-party distributors. The revenues associated with the sale of mobile handsets and related expenses are recognized when the products are delivered and accepted by the subscribers, agents and other third-party distributors.



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During 2017, handset revenues decreased by 1% to P\$7,446 million from P\$7,535 million in 2016 and increased by 30% in 2016 from P\$5,796 million in 2015. The decrease in 2017 was due to a mix between the increase in the average price of handsets of 7% and the decrease of 7% in the handset units sold.

*Intersegment*

Intersegment revenues mainly include services rendered to Telecom Argentina and primarily consist of GSM fixed services, Mobile Internet and monthly charges, airtime usage charges and Value Added Services. During 2017, our intersegment revenues increased by 99% to P\$331 million from P\$166 million in 2016 and increased by 15% in 2016 from P\$144 million in 2015. The intersegment revenues are eliminated at the consolidated level.

**Other Income**

Other income mainly includes penalties collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided and gains on disposal of PP&E since 2016. During 2017, other income was P\$62 million, compared to P\$16 million in 2016 and P\$5 million in 2015.

**Operating Expenses (without depreciation and amortization)**

Total operating expenses (without depreciation and amortization) in our Personal Mobile Services segment increased by 9% to P\$27,729 million in 2017 from P\$25,448 million in 2016 and increased by 25% in 2016 from P\$20,414 million in 2015. In 2017, except for commissions, costs of VAS and bad debt expenses, all items in the cost structure of the Personal Mobile Services segment experienced increases. In line with our increases in revenues, during 2016, all items in the cost structure of the Personal Mobile Services segment experienced increases. **This trend reflects increases in certain costs related to acquiring and retaining customers, taxes, commissions.**

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Detailed below are the major components of the operating expenses for the years ended December 31, 2017, 2016 and 2015 in the Personal Mobile Services segment:

	2017	Years Ended December 31, 2016 (P\$ million)	2015	% of Change 2017-2016 2016-2015 Increase/(Decrease)	
Employee benefit expenses and severance payments	2,876	2,381	1,856	21	28
Interconnection costs and other telecommunications charges	3,537	2,721	2,686	30	1
Fees for services, maintenance, materials and supplies	3,384	2,975	2,417	14	23
Taxes and fees with the Regulatory Authority	4,413	3,925	3,071	12	28
Commissions	2,965	3,286	2,774	(10)	18
Cost of equipment and handsets	6,035	5,749	4,328	5	33
Advertising	915	644	628	42	3
Cost of VAS	614	1,329	1,136	(54)	17
Provisions	406	109	96	272	14
Bad debt expenses	844	951	462	(11)	106
Other operating expenses	1,740	1,378	960	26	44
<b>Total Personal Mobile Services(1)</b>	<b>27,729</b>	<b>25,448</b>	<b>20,414</b>	<b>9</b>	<b>25</b>

(1) Includes intersegment costs of P\$2,402 million, P\$1,930 million and P\$1,829 million in 2017, 2016 and 2015, respectively. These costs are eliminated at the consolidated level.

*Employee benefit expenses and severance payments*

During 2017, employee benefit expenses and severance payments charges increased by 21% to P\$2,876 million from P\$2,381 million in 2016 and also increased by 28% in 2016 from P\$1,856 million in 2015. The increases were mainly due to increases in salaries agreed by Telecom Personal with several trade unions for the unionized employees and also non-unionized employees, together with related social security charges.

The Personal Mobile Services segment had 4,296, 4,661 and 4,908 employees as of December 31, 2017, 2016 and 2015, respectively.

*Interconnection costs and other telecommunications charges*

During 2017, interconnection costs and other telecommunications charges increased by 30% to P\$3,537 million from P\$2,721 million in 2016 and increased by 1% in 2016 from P\$2,686 million in 2015. The increase in 2017 was mainly due to an increase in lease of circuits and use of public network and higher TLRD costs. The increase in 2016 was mainly due to an increase in Roaming traffic and higher TLRD costs.

Interconnection costs and other telecommunications charges include intersegment costs of P\$1,521 million, P\$1,200 million and P\$1,275 million in 2017, 2016 and 2015, respectively, that are eliminated at the consolidated level.

*Fees for services, maintenance, materials and supplies*

In 2017, fees for services, maintenance, materials and supplies expenses increased by 14% to P\$3,384 million from P\$2,975 million in 2016 and increased by 23% from P\$2,417 million in 2015.

The increase in 2017 was mainly due to higher call center fees and fees for services, mainly due to higher costs recognized to suppliers, partially offset by a decrease in technical maintenance.

The increase in 2016 was mainly due to higher maintenance costs of radiobases, network, identification sites costs and storage costs. There was an increase of maintenance and fees for services mainly due to higher costs recognized to suppliers.

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Fees for services, maintenance, materials and supplies expenses includes intersegment costs of P\$561 million, P\$468 million and P\$389 million in 2017, 2016 and 2015, respectively, that are eliminated at the consolidated level.

*Taxes and fees with the Regulatory Authority*

During 2017, taxes and fees with the Regulatory Authority increased by 12% to P\$4,413 million from P\$3,925 million in 2016 and increased by 28% in 2016 from P\$3,071 million in 2015. The increase in 2017 and 2016 was influenced mainly by the increase in revenues and higher taxes on deposits and withdrawals from bank accounts related to higher collections and payments to suppliers, partially offset by a decrease in fees with the Regulatory Authority.

*Commissions*

In 2017, commissions decreased by 10% to P\$2,965 million from P\$3,286 million in 2016 and increased by 18% in 2016 from P\$2,774 million in 2015. The decrease was mainly due to the decrease in agents' commissions of P\$113 million and the decrease of collection commissions of P\$164 million.

Commissions include intersegment costs of P\$95 million, P\$59 million and P\$48 million in 2017, 2016, and 2015, respectively, that are eliminated at the consolidated level.

*Cost of equipment and handsets*

During 2017, the cost of equipment and handsets sold increased by 5% to P\$6,035 million from P\$5,749 million in 2016 and increased by 33% from P\$4,328 million in 2015. The increase in cost of mobile handsets in 2017 is related to the increase in the average unit cost of sales (an increase of 21% as compared to 2016), which was partially offset by a decrease in units of handsets sold (a decrease of 13% as compared to 2016). The increase in cost of mobile handsets in 2016 is related to the increase in the average unit cost of sales (an increase of 39% as compared to 2015), which was partially offset by a decrease in units of handsets sold (a decrease of 4% as compared to 2015). Cost of equipment and handsets are net of costs capitalized as SAC (P\$60 million in 2017, which is -P\$23 million, or 28%, lower than in 2016).

*Advertising*

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During 2017, advertising expenses including media, promotional and institutional campaigns, amounted to P\$915 million, representing an increase of 42% from P\$644 million in 2016, mainly due to an increase in media campaigns. During 2016, advertising expenses increased by 3% from P\$628 million in 2015, mainly due to an increase in media campaigns of Personal related to the launch of 4G services throughout the country.

### *Cost of VAS*

Cost of VAS amounted to P\$614 million in 2017 (a decrease of 54% as compared to 2016). This decrease was mainly due to the lower revenues from VAS in the Personal Mobile Services Segment as a result of the reduction in the number of content providers carried out within the framework of reorganization of this business performed by Personal in 2016. Such costs were P\$1,329 million and P\$1,136 million in 2016 and 2015, respectively.

### *Provisions*

During 2017, we recorded a loss of P\$406 million in provisions compared with a loss of P\$109 million and a loss of P\$96 million recorded in 2016 and 2015, respectively. The increase in 2017 was mainly due to higher regulatory and labor claims. The increase in 2016 was mainly due to higher regulatory, tax and municipal claims (an increase of P\$40 million as compared to 2015).

### *Bad debt expenses*

In 2017 bad debt expenses amounted to P\$844 million (a decrease of 11% as compared to 2016). In 2016, bad debt expenses amounted to P\$951 million representing an increase of 106% from P\$462 million in 2015. The total decrease in 2017 is mainly due to a greater efficiency in debt management. The major increase in 2016 is a consequence of higher aging of the accounts receivables and higher incidence of handset sales directly financed by Personal to its post-paid and *Abono Fijo* subscribers.

### *Other operating expenses*

Other operating expenses include accrued expenses such as costs associated with the provision of transportation costs, insurance, energy and costs of site leases.



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Other operating expenses increased by 26% to P\$1,740 million in 2017 from P\$1,378 million in 2016 and increased by 44% from P\$960 million in 2015. The increase in 2017 was primarily a result of higher prices of related services, especially transportation, freight and travel expenses; and the increase in rent prices, as a result of new agreements and the renegotiation of some existing ones. Other operating expenses included intersegment costs of P\$225 million, P\$202 million and P\$117 million in 2017, 2016, and 2015, respectively, that are eliminated at the consolidated level.

**Depreciation and Amortization**

During 2017 depreciation of PP&E and amortization of intangible assets increased by 10% to P\$3,961 million from P\$3,614 million in 2016 and increased by 43% from P\$2,520 million in 2015. During 2017, the increase in PP&E depreciation amounted to P\$237 million and the increase in amortization of SAC amounted to P\$121 million. The mentioned increases were partially offset by a decrease in amortization of other intangible assets which amounted to P\$11 million.

**Disposals and Impairment of PP&E**

Disposals and Impairment loss of PP&E amounted to P\$295 million in 2017, mainly due to the mobile access modernization for the introduction of 4G technology. Impairment of PP&E amounted to P\$384 million in 2016 related mainly due to the mobile access modernization for the introduction of 4G technology.

**Operating Income**

In 2017, our operating income from the Personal Mobile Services segment was P\$10,143 million, representing an increase of 60% from P\$6,320 million in 2016, and increased of 22% from P\$5,160 million in 2015. Operating income represented 24% of revenues in 2017 for this segment and 18% of revenues in 2016 and in 2015. The increase in operating income was mainly due to the growth in outbound services revenues, partially offset by increases in operating expenses and depreciation and amortization costs as explained above.

**(B.3) Núcleo Mobile Services Segment**

The Núcleo Mobile Services Segment includes Núcleo, Personal Envíos, which is a company controlled by Núcleo that was authorized by the Central Bank of Paraguay to operate as an Electronic Payment Company (EMPE) through Resolution No.6 issued on March 30, 2015 and Tuves Paraguay since July 1, 2017 (see Item 4 Information on the Company Mobile Telecommunications Services in Paraguay Núcleo).





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Results of operations from our Núcleo Mobile Services segment for 2017, 2016 and 2015 are comprised as follows:

	Years Ended December 31,			% of Change	
	2017 (2)	2016 (3) (P\$ million)	2015 (3)	2017-2016 Increase / (Decrease)	2016-2015
Revenues (1)	2,997	2,648	1,717	13	54
Other Income		1		n/a	n/a
Operating expenses (without depreciation and amortization) (4)	(1,890)	(1,812)	(1,149)	4	58
Depreciation and amortization	(731)	(687)	(392)	6	75
Disposals and Impairment of PP&E			1		n/a
<b>Operating income</b>	<b>376</b>	<b>150</b>	<b>177</b>	<b>151</b>	<b>(15)</b>

(1) Includes intersegment revenues of P\$6 million, P\$6 million and P\$11 million in 2017, 2016 and 2015, respectively.

(2) Includes operations of Personal Envíos. Its operations are not material. Additionally includes operations of Tuves Paraguay. Its operations are not material.

(3) Includes operations of Personal Envíos. Its operations are not material.

(4) Includes intersegment costs of P\$41million, P\$32 million and P\$23 million in 2017, 2016 and 2015, respectively.

**Revenues and Other Income**

During 2017, total revenues from Núcleo increased by 13% to P\$2,997 million from P\$2,648 million in 2016. The increase was mainly due to the appreciation of the Guaraní as compared to P\$ of 17% in 2017 and to the Internet revenues related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of December 31, 2017, Núcleo's subscriber base reached 2.4 million customers. Prepaid and postpaid subscribers (including *Plan Control* subscribers and mobile Internet subscribers) represented 83% and 17% in 2017, respectively.

Internet revenues to third parties amounted to P\$1,294 million (+32% vs. 2016) and represented 45% of Núcleo Mobile Services segment services revenues (vs. 41% in 2016).

During 2016, total revenues from Núcleo increased by 54% to P\$2,648 million from P\$1,717 million in 2015. This increase was mainly due to the 46% appreciation of Guaraní and due to the Internet revenues increase related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of December 31, 2016, Núcleo's subscriber base reached 2.5 million customers. Prepaid and postpaid subscribers (including *Plan Control* subscribers and mobile Internet subscribers) represented 82% and 18% in 2016, respectively.

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Internet revenues to third parties amounted to P\$978 million (+72% vs. 2016) and represented 41% of Núcleo Mobile Services segment services revenues (vs. 37% in 2015).

During 2017, handset revenues decreased by 59% to P\$106 million from P\$260 million in 2016 and increased by 64% from P\$159 million in 2015.

Revenues from our Núcleo Mobile Services segment for 2017, 2016 and 2015 are comprised as follows:

	2017	Years Ended December 31,		% of Change	
		2016 (P\$ million)	2015	2017-2016 Increase/(Decrease)	2016-2015
Outbound	2,525	1,962	1,236	29	59
Inbound	141	127	89	11	43
Other	219	293	222	(25)	32
<b>Service revenues</b>	<b>2,885</b>	<b>2,382</b>	<b>1,547</b>	<b>21</b>	<b>54</b>
Equipment	106	260	159	(59)	64
<b>Subtotal third-party revenues</b>	<b>2,991</b>	<b>2,642</b>	<b>1,706</b>	<b>13</b>	<b>55</b>
Intersegment	6	6	11		(45)
<b>Total revenues</b>	<b>2,997</b>	<b>2,648</b>	<b>1,717</b>	<b>13</b>	<b>54</b>

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Total operating expenses in our Núcleo Mobile Services segment increased by 4% to P\$1,890 million in 2017 from P\$1,812 million in 2016 (mainly due to the appreciation of the Guaraní as compared to P\$ of 17% in 2017) and increased 58% in 2016 from P\$1,149 million in 2015. In line with our increases in revenues, during 2017 and 2016, all items in the cost structure of the Núcleo Mobile Services segment experienced increases, except for costs of equipments and handsets and bad debt expenses in 2017. This trend reflected increases in certain costs of acquiring and retaining subscribers, and commissions directly associated with sales and expansions of the customer service staff. Detailed below are the major components of the operating expenses for the years ended December 31, 2017, 2016 and 2015 related to Núcleo Mobile Services segment:

	2017	Years Ended December 31, 2016 (P\$ million)	2015	% of Change 2017-2016 2016-2015 Increase/(Decrease)	
Employee benefit expenses and severance payments	217	199	129	9	54
Interconnection costs and other telecommunications charges	220	200	154	10	30
Fees for services, maintenance, materials and supplies	280	229	152	22	51
Taxes and fees with the Regulatory Authority	113	82	54	38	52
Commissions	344	295	199	17	48
Cost of equipment and handsets	125	303	185	(59)	64
Advertising	109	104	78	5	33
Cost of VAS	215	117	82	84	43
Provisions	1			100	
Bad debt expense	76	125	23	(39)	443
Other operating expenses	190	158	93	20	70
<b>Total Núcleo Mobile Services(1)</b>	<b>1,890</b>	<b>1,812</b>	<b>1,149</b>	<b>4</b>	<b>58</b>

(1) Includes intersegment cost of P\$41 million, P\$32 million and P\$23 million in 2017, 2016 and 2015, respectively. These costs are eliminated at the consolidated level.

*Employee benefit expenses and severance payments*

During 2017, employee benefit expenses and severance payments increased 9% to P\$217 million from P\$199 million in 2016. During 2016, these costs increased 54% from P\$129 million in 2015. Núcleo Mobile Services segment had 398, 408 and 413 employees as of December 31, 2017, 2016 and 2015, respectively.

*Interconnection costs and other telecommunication charges*

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During 2017, interconnection costs and other telecommunication charges increased 10% to P\$220 million from P\$200 million in 2016 and increased 30% in 2016 from P\$154 million in 2015. The increase in 2017 was mainly due to an increase in lease of circuits and in TLRD costs. The increase in 2016 was mainly due to an increase in TLRD costs.

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

During 2017, fees for services and maintenance, materials and supplies totaled P\$280 million, representing an increase of 22% from P\$229 million in 2016. During 2016, they increased 51% from P\$152 million in 2015.

### *Taxes and fees with the Regulatory Authority*

During 2017, taxes and fees with the Regulatory Authority increased 38% to P\$113 million from P\$82 million in 2016 and increased 52% from P\$54 million in 2015. The increase in each year was mainly attributable to the increase in total segment revenues.

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*Commissions*

During 2017, commissions increased 17% to P\$344 million from P\$295 million in 2016. During 2016, commissions increased 48% from P\$199 million in 2015. The increase in 2017 was mainly due to an increase in commissions for distribution of prepaid cards, agent commissions, and other commissions. The increase in 2016 was mainly due to an increase in agent commissions and commissions for distribution of prepaid cards.

*Cost of equipment and handsets*

During 2017, the cost of equipment and handsets decreased to P\$125 million from P\$303 million in 2016, representing a decrease of 59%. During 2015, the cost of equipment and handsets was P\$185 million. The decrease in 2017 was mainly due to a decrease in handsets sold. The increase in 2016 was mainly due to the increase of the customer upgrade of mobile handsets as a result of technological advances and new service offerings.

*Advertising*

During 2017, advertising expenses including media, promotional and institutional campaigns, increased 5% as compared to 2016 and amounted to P\$109 million.

During 2016 and 2015, advertising expenses including media, promotional and institutional campaigns, amounted to P\$104 million and P\$78, respectively.

*Cost of VAS*

Cost of VAS increased 84% million to P\$215 million in 2017 from P\$117 million in 2016. Such costs were P\$82 million in 2015.

*Bad debt expenses*

In 2017 bad debt expenses amounted to P\$76 million (a decrease of 39% as compared to 2016). In 2016, bad debt expenses amounted to P\$125 million representing an increase of 443% from P\$23 million in 2015. The total decrease in 2017 is

mainly due to a greater efficiency in debt management. The major increase in 2016 is a consequence of higher aging of the accounts receivables and higher incidence of handset sales directly financed by Núcleo to its post-paid and *Plan Control* subscribers.

#### *Other operating expenses*

Other operating expenses include accrued expenses such as costs associated with the provision of transportation costs, insurance, energy and costs of site leases.

Other operating expenses increased 20% to P\$190 million in 2017 and increased 70% in 2016 to P\$158 million from P\$93 million in 2015.

#### **Depreciation and Amortization**

During 2017, depreciation of PP&E and amortization of intangible assets increased 6% to P\$731 million from P\$687 million in 2016. During 2016, depreciation of PP&E and amortization of intangible assets increased 75% from P\$392 million in 2015. The increase was mainly due to the appreciation of the Guaraní of 17% in 2017, and the result of higher investment in PP&E and intangible assets, partially offset by a reduction in the level of depreciation due to the end of the amortization period for certain assets.

#### **Operating Income**

In 2017, our operating income from the Núcleo Mobile Services segment was P\$376 million, representing an increase of 151% from P\$150 million in 2016, which represent 13% and 6% of total revenues for this segment in 2017 and 2016, respectively. In 2015, our operating income was P\$177 million, representing 10% of total revenues for this segment.

#### **Liquidity and Capital Resources**

##### *Sources and Uses of Funds*

We expect that the main source of Telecom Argentina's liquidity in the near term will be cash flows from Telecom Argentina's operations and cash flows from financing from third parties, which may include accessing to domestic and international capital markets and obtaining financing from first class financial institutions. Telecom Argentina's principal uses of cash flows are expected to be for capital expenditures, operating expenses, dividend payments to its shareholders, payments of financial debt and for general corporate purposes. Telecom Argentina expects working capital, funds generated from operations, dividend payments from its subsidiaries and financing from third parties to be sufficient for its present requirements.



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The Ordinary and Extraordinary Shareholders Meeting of Telecom Argentina held on December 15, 2011, approved the creation of a Medium-Term Notes Global Program for a maximum outstanding amount of US\$500 million or its equivalent in other currencies for a term of five years.

The General Ordinary Shareholders Meeting of Telecom Argentina held on December 28, 2017 approved the Global Notes Program, up to a maximum outstanding amount as of the date of issuance of each class or series of US\$3,000 million or its equivalent in other currencies for a maximum term of five years.

Also, the Ordinary and Extraordinary Shareholders Meeting of Personal held on December 2, 2010, approved the creation of a Medium-Term Notes Global Program for a maximum outstanding amount of US\$500 million or its equivalent in other currencies for a term of five years. On October 13, 2011, the CNV approved this program. Personal's Ordinary Shareholders Meeting held on May 26, 2016 authorized to extend the due date of the Program until October 31, 2021, and to expand the Program's maximum circulation amount to US\$1,000 million or its equivalent in other currencies. On October 20, 2016, the CNV authorized the extension and expansion of the aforementioned Program through Resolution No. 18,277.

Under this program, on December 10, 2015, Telecom Personal has successfully completed the issuance of Series I and Series II notes for a total nominal value of P\$720.5 million. Additionally, on November 16, 2016 Telecom Personal also completed the issuance of Series III and Series IV notes for a total nominal value of almost P\$722.0 million and US\$77.9 million, respectively. See Debt Obligations and Debt Service Requirements below.

Additionally, during October 2016 Personal and the IFC signed a loan agreement for an amount of US\$ 400 million. Also, on April 7, 2017 Personal and the IIC subscribed a loan agreement for an amount of US\$ 100 million maturing in September 2022.

Moreover, on February 2, 2018, we acknowledged the acceptance of our loan request for an amount up to US\$ 1,000 million to be made available to us in one or more disbursements, and with a 12-month tenor. The proceeds from the loan will be used by us for the integration of working capital, investments in physical assets or other general corporate purposes. On February 9, 2018, US\$ 650 million were received, while US\$ 350 million were received on March 9, 2018.

We do not expect any implications on the sources of liquidity and the sources of funds as a result of the Reorganization. See Item 4 Information on the Company Introduction Recent Developments The Reorganization.

The table below summarizes, for the years ended December 31, 2017, 2016 and 2015, Telecom's consolidated cash flows:



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	2017	Years ended December 31, 2016 (P\$ million)	2015
Cash flows provided by operating activities	19,332	11,365	6,812
Cash flows used in investing activities	(14,294)	(11,340)	(9,651)
Cash flows (used in) provided by financing activities	(6,296)	2,828	2,950
Net foreign exchange differences on cash and cash equivalents	144	222	75
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(1,114)</b>	<b>3,075</b>	<b>186</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,945</b>	<b>870</b>	<b>684</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,831</b>	<b>3,945</b>	<b>870</b>

As of December 31, 2017, 2016 and 2015, we had P\$2,831 million, P\$3,945 million and P\$870 million in cash and cash equivalents, respectively.

*Cash flows from operating activities:* The breakdown of the net cash flow provided by operating activities is as follows:

	2017	Years ended December 31, 2016 (P\$ million)	2015
<b><u>Collections</u></b>			
Collections from customers	71,113	55,928	41,930
Interests from customers	762	366	182
Interests from investments	670	59	190
Mobile operators collections	1,282	885	843
<b>Subtotal</b>	<b>73,827</b>	<b>57,238</b>	<b>43,145</b>

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<b>Payments</b>			
For the acquisition of goods and services and others	(19,557)	(17,120)	(12,784)
For the acquisition of inventories	(5,520)	(5,383)	(6,343)
Salaries and social security payables and severance payments	(11,669)	(9,113)	(6,885)
CPP payments	(1,132)	(393)	(413)
Income taxes (includes tax returns and payments in advance)	(2,400)	(1,700)	(1,631)
Other taxes and fees with the Regulatory Authority	(13,399)	(10,731)	(7,775)
Foreign currency exchange differences related to the payments to suppliers	(818)	(1,433)	(502)
<i>of which: Inventory suppliers</i>	<i>(269)</i>	<i>(295)</i>	<i>(182)</i>
<i>PP&amp;E suppliers</i>	<i>(425)</i>	<i>(1,467)</i>	<i>(188)</i>
<i>Other suppliers</i>	<i>(119)</i>	<i>(144)</i>	<i>(31)</i>
<i>NDF</i>	<i>(5)</i>	<i>473</i>	<i>(101)</i>
<b>Subtotal</b>	<b>(54,495)</b>	<b>(45,873)</b>	<b>(36,333)</b>
<b>Net cash flow provided by operating activities</b>	<b>19,332</b>	<b>11,365</b>	<b>6,812</b>

*Cash flows used in investing activities* were P\$14,294 million, P\$11,340 million and P\$9,651 million in 2017, 2016 and 2015, respectively, and includes the payment for the acquisition of 4G licenses P\$2,256 million in 2015. The increase of P\$2,954 million in 2017 was mainly due to an increase in PP&E capital expenditures (mainly due to the modernization of the Mobile technology) and higher acquisitions of Government Bonds and investment not considered as cash and cash equivalents. The increase in 2016 was mainly due to an increase in PP&E capital expenditures (mainly due to the modernization of the mobile technology).

*Cash flows used in financing activities* were P\$6,296 million in 2017, while cash flows provided by financing activities were P\$2,828 million 2016 and P\$2,950 million in 2015. The increase in 2017 was mainly due to higher dividend payments and lower proceeds from financial debt. The decrease in 2016 as compared to 2015 was mainly due to higher payments of loans and dividends, partially offset by higher proceeds of financial debts.

*NDF and US Dollar bonds*

During 1Q 2017, the Telecom Group entered into several NDF agreements to hedge the fluctuation of LIBO rate from the IFC loan amounting to US\$ 400 million. The agreements effective from March 15, 2017 hedge an amount of US\$ 300 million, while those effective from September 15, 2017 hedge the outstanding US\$ 100 million. Such NDF allow fixing the variable rate all along the loan term in a range between 2.087% and 2.4525% nominal annual rate (resulting in a weight average of 2.2258%).

As of December 31, 2017, the Group recognized a liability of P\$17 million which is included in loans (P\$8 million current and P\$9 million non-current). Likewise during year 2017 the Group recognized losses amounting to P\$36 million related with this contracts which are included in interest on loans in financial results.

During 2Q 2017, the Group entered into several NDF agreements to hedge the fluctuation of the exchange rate from the IFC loan amounting to US\$ 53.5 million fixing the average exchange rate in P\$18.30, expiring between February and April 2018.

As of December 31, 2017, the Group recognized a receivable of P\$59 million which is included in other current receivables and holds a reserve of P\$6 million in other comprehensive income in the equity. Consequently, during year 2017 the Group recognized gains amounting to P\$53 million related with this contract which is included in financial results.

During 3Q 2017, the Group entered into several NDF agreements to hedge the fluctuation of LIBO rate from the IFC loan amounting to US\$ 40 million. Such NDF were agreed in two tranches of US\$ 20 each one, both of them starting on March 15, 2018 and fixing the variable rate all along the term of the loan to 2.1325% and 2.085% nominal annual rate, respectively.

As of December 31, 2017, the Group recognized a receivable of P\$4 million which is included in other receivables (P\$2 million current and P\$2 million non-current) with counterpart in other comprehensive income in the equity.

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On the other hand, during year 2017, the Group entered into several NDF agreements to hedge the fluctuation of the exchange rate from certain commercial obligations for an amount of US\$6.3 million fixing the average exchange rate in P\$18.94 expiring between March and August 2018.

As of December 31, 2017, the Group recognized a receivable of P\$6 million which is included in other current receivables. Likewise during year 2017 the Group recognized gains amounting to P\$6 million related with this contracts which are included in foreign currency exchange rate gains in financial results.

Additional information regarding Financial Instruments is set forth in Note 20 to our Consolidated Financial Statements.

***Debt Obligations and Debt Service Requirements***

Telecom Argentina has bank overdrafts amounting to P\$139 million (including accrued interest) as of December 31, 2017.

The Indebtedness of Telecom Argentina as of December 31, 2017 was as follows:

***Bank and other financial entity loans***

- On July 5, 2016, Personal (entity absorbed by Telecom Argentina) accepted an offer from the IFC for the assessment and transfer of funds for purposes of financing investment needs, working capital and debt refinancing for an amount of up to US\$400 million.

In October 2016, Personal (entity absorbed by Telecom Argentina) and the IFC signed the loan agreement ( IFC Loan ) for an amount of US\$400 million and for a six-year period, payable in eight equal half-yearly installments since the 30th month, with a 6-month LIBO rate + 400bp. This loan was used to deploy the 4G network and refinance short-term financial liabilities. The loan terms include standard commitments for this type of financial transaction (on October 26, 2016, Personal received US\$ 392.5 million, equivalent to P\$5,961 million as of the date of the disbursement).

- Additionally, in April 2017, Personal (entity absorbed by Telecom Argentina) and the Inter-American Investment Corporation ( IIC ), a member of the Inter-American Development Bank ( IDB ) Group, signed a loan agreement ( IIC Loan ) for an amount of US\$100 million and with maturity date on September 2022, payable in 8 equal half-yearly installments since the 24th month, with a 6 month LIBO rate + 400bp. The funds of this loan will be

allocated to deploy the 4G network and for financing working capital and other financial needs. The loan terms include standard commitments and covenants for this type of financial transactions (on September 18, 2017 Personal received US\$ 100 million, equivalent to P\$1,749 million as of the date of the disbursement, that net of expenses amounted to P\$1,723 million).

*Núcleo:*

As of December 31, 2017, Núcleo's outstanding debt (bank loans and bank overdrafts) is denominated in Guaraníes and amounted to approximately P\$402 million (including accrued interest).

Additional information regarding terms and conditions of the Telecom Group's loans as of December 31, 2017 is set forth in Note 12 to our Consolidated Financial Statements.

The balance of the loans of the Telecom Group amounts to P\$9,735 million as of December 31, 2017 (including accrued interest).

*Global Programs for issuance of Notes*

Personal (entity absorbed by Telecom Argentina) issued the following notes under the Medium Term Notes Global Program mentioned in Sources and Uses of Funds above, with the following terms and conditions:

- Series I: with a maturity of 18 months from the date of issuance and settlement for a nominal value of P\$571.5 million, at a combined rate (fixed rate of 28.5% up to the 6th month and variable rate from the 7th month, BADLAR rate + 375bps). Series I have been fully amortized in June 2017.

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- Series II: with a maturity of 36 months from the date of issuance and settlement, with a nominal value of P\$149 million, at a combined rate (fixed rate of 28.75% up to the 9th month and variable rate from the 10th month, BADLAR rate + 400bps).
- Series III, denominated in pesos at a floating rate and with a maturity of 18 months from the date of issuance and settlement, and for a nominal value of approximately P\$722 million, at a variable rate (BADLAR Privada rate + 290bps).
- Series IV, denominated in U.S. dollars, at a fixed rate and with a maturity of 24 months from the same date of issuance and settlement as Series III, for a nominal value of US\$77.9 million, at a nominal fixed annual rate equivalent to 4.85%.

The aforementioned notes have a local risk rating issued by FIX SCR S.A. (Fitch Ratings) of AA+ (arg) , due to the credit quality and financial strength of Personal.

The funds arising from the Series I and II notes were used to refinance short-term liabilities through the partial settlement of bank overdrafts that Personal had taken to finance the acquisition of 3G and 4G frequencies bands, and the Series III notes and Series IV notes funds were applied to the refinancing of short-term liabilities.

The balance of Series II, III and IV notes of Personal as of December 31, 2017 amounted to approximately P\$2,344 million (including accrued interests). The Series I notes were paid in full on their due date.

On December 28, 2017, Telecom Argentina held an a General Ordinary Shareholders Meeting that approved a Notes Global Program for a maximum outstanding amount of US\$ 3,000 million or its equivalent in other currencies. The delegation of powers in the Board of Directors was also approved to determine and modify the terms and conditions of the Program as well as to establish the issuance opportunities.

*Liquidity*

The liquidity position of Telecom Argentina is and will be significantly dependent on each individual company s operating performance, its indebtedness, capital expenditure programs and receipt of dividends, from its subsidiaries, if any.

The Group s working capital breakdown and its main variations are disclosed below:

	2017	2016 (P\$ million)	Variation
Trade receivables	8,636	7,577	1,059
Other receivables (not considering financial NDF)	1,431	1,011	420
Inventories	1,854	1,278	576
Current liabilities (not considering financial debt)	(18,793)	(13,245)	(5,548)
<b>Operative working capital - negative</b>	<b>(6,872)</b>	<b>(3,379)</b>	<b>(3,493)</b>
<i>As % of Revenues</i>	<i>(10.5)%</i>	<i>(6.4)%</i>	
Cash and cash equivalents	2,831	3,945	(1,114)
Financial NDF	60		60
Investments	3,426	1,751	1,675
Current financial debt	(3,194)	(3,266)	72
<b>Net Current financial asset</b>	<b>3,123</b>	<b>2,430</b>	<b>693</b>
<b>Negative working capital (current assets - current liabilities)</b>	<b>(3,749)</b>	<b>(949)</b>	<b>(2,800)</b>
<b>Liquidity rate</b>	<b>0.83</b>	<b>0.94</b>	<b>(0.11)</b>

The Telecom Group has an intensive working capital structure that obtains financing from its suppliers (especially PP&E suppliers) for longer terms than those provided to its customers and from financial entities. According to this, the negative operating working capital amounted to P\$6,872 million as of December 31, 2017 (increasing P\$3,493 million vs. December 31, 2016) showing higher levels of suppliers financing (10.5% of consolidated revenues as of December 31, 2017 vs. 6.4% of consolidated revenues as of December 31, 2016).

During 2017 the Telecom Group continued demanding funds to the financial market in Argentina, what has allowed financing the Group's growth in PP&E and intangible assets at very reasonable rates. The Group was rated AA+ (arg) by FIX SCR S.A (the notes issued by Telecom Personal, entity absorbed by Telecom Argentina) related to the Group's operating cash flow record

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and low leverage (net debt over EBITDA amounts to 0,2x). All the above mentioned generates that the total working capital (current assets - current liabilities) amounted to a net debt of P\$3,749 million as of December 31, 2017, resulting from an increase in negative operating working capital amounting to P\$3,493 million partially offsetted by an increase in net current financial asset of P\$693 million.

These increases in absolute terms have modified our consolidated liquidity ratio (current assets/current liabilities), which amounted to 0.83.

The Group has several financing sources and several offers from first-class international institutions to diversify its current short-term funding structure, which includes accessing to domestic and international capital market and obtaining competitive bank loans in what relates to terms and financial costs.

The low financial debt of the Group and the merger by absorption with Cablevisión since January 1, 2018 makes it possible to obtain financial resources for longer terms at a reasonable cost. The Group's management evaluates the national and international macroeconomic context to take advantage of market opportunities that allows it to preserve its financial health for the benefit of its investors.

Telecom manages its cash and cash equivalents and its financial assets, matching the term of investments with those of its obligations. The average term of its investments should not exceed the average term of its obligations. Cash and cash equivalents position is invested in highly-liquid short-term instruments through first-class financial entities.

The Telecom Group maintains a liquidity policy that results into a significant volume of available cash through its normal course of business as it is shown in the consolidated statement of cash flows. The Telecom Group has consolidated cash and cash equivalents amounting to P\$2,831 million (equivalent to US\$ 153 million) as of December 31, 2017 (in 2016, P\$3,945 million, equivalent to US\$ 250 million). The Telecom Group has bank credits and a program of Notes that allow financing its short-term obligations and an investment plan in addition to the operative cash flow for the next years.

Moreover, on November 30, 2017, the General Ordinary Shareholders Meeting approved the delegation of powers into the Board of Directors of the Company to withdraw up to the amount of P\$6,940.5 million from the Voluntary reserve for future dividends payments and to arrange the distribution of the withdrawn funds in concept of cash dividends, in one or more installments and in the amounts and dates determined by the Board of Directors. In accordance to these delegated powers, the Company's Board of Directors on its meeting on December 18, 2017, resolved to withdraw the amount of P\$4,150,312,272 of the aforementioned Reserve and to distribute that amount as cash dividends, which were made available to Shareholders as from December 29, 2017.

On December 18, 2017, Cablevisión S.A. informed the declaration of dividends of P\$4,077,790,056 to be paid to its shareholders, Cablevisión Holding S.A., Fintech Media LLC and VLG Argentina LLC a pro rata of its share holdings whose payment was pending as of the Merger Effective Date. On January 8, 2018, Telecom Argentina S.A., the surviving company of Cablevisión S.A., proceeded to cancel the aforementioned obligation.



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In addition, the Ordinary General Shareholders Meeting celebrated on January 31, 2018, approved the delegation of powers into the Board of Directors to order the total or partial withdrawal of the Voluntary reserve for future dividends payments and the distribution of the withdrawn funds as cash dividends, in the amounts and dates determined by the Board of Directors, being these delegated powers able to be exercised until before the celebration of the next Ordinary Annual Shareholders Meeting. In accordance to these delegated powers, the Company's Board of Directors on its meeting held on January 31, 2018, resolved to withdraw the amount of \$9,729,418,019 from the Voluntary reserve for future dividends payments of Telecom Argentina as of December 31, 2017 and to distribute that amount as cash dividends in two installments according to the following: a) the amount of \$2,863,000,000, which was made available on February 15, 2018 b) the remaining difference, that is the amount of \$6,866,418,019, was to be made available on April 30, 2018, being the Board of Directors able to anticipate such payment if it deems appropriate in the future. Later, the Board of Directors of Telecom Argentina on its meeting dated March 7, 2018 decided to anticipate the date when the second dividend installment will be made available to March 27, 2018 or in the prior date that the Chairman of the Company determines. Finally, the aforementioned second dividend installment was made available on March 21, 2018, as resolved by the Chairman of the Company in use of the faculties delegated by the Board of Directors.

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Moreover, the Board of Directors of Telecom Argentina approved on January 31, 2018 the distribution of interim cash dividends, for the amount of P\$10,143,505,599, in accordance with what it is foreseen in section 224, 2° paragraph of the GCL, being these subject to ratification from the Ordinary Shareholders Meeting that considers the documentation for the fiscal year ended December 31, 2017. The aforementioned amount corresponds to the sum of the net income (liquid and realized) for the period between January 1, 2017 and September 30, 2017, that arises from the Special Purpose Unconsolidated Financial Statements of Telecom Argentina as of this last date (\$5,640,728,444) and from the Special Purpose Unconsolidated Financial Statements of Cablevisión S.A. (company absorbed by merger by Telecom Argentina) to this same date (\$4,502,777,155). The mentioned dividends were made available to shareholders on February 15, 2018.

Telecom Argentina's Board of Directors, at its meeting held on March 19, 2018, convened an Ordinary Shareholders meeting to be held on April 25, 2018, to consider among other issues the allocation of Telecom Argentina's retained earnings as of December 31, 2017, net of P\$5,640,728,444 distributed in advance, that is to say P\$1,989,254,041, and the allocation of Cablevisión's retained earnings as of December 31, 2017 net of P\$4,502,777,155 distributed in advance, that is to say P\$1,311,975,449.

The proposal of the Board of Directors is to: (i) ratify the advance distribution of dividends of P\$5,640,728,444 resolved by the Board at its meeting of January 31, 2018, based on the Special-purpose Unconsolidated Financial Statements of Telecom Argentina as of September 30, 2017; (ii) allocate P\$1,989,254,041, to set up the Voluntary reserve for future dividends payments; and (iii) delegate power to Telecom Argentina's Board of Directors so that, based on the evolution of the business, it may determine the withdrawal, in one or more times, of an amount up to P\$994,627,020 from the Voluntary reserve for future dividends payments for distribution to the shareholders as cash dividends, enabling such delegated powers to be exercised until December 31, 2018.

With respect to Cablevisión's retained earnings, the proposal of the Board of Directors is to: (i) ratify the advance distribution of dividends of P\$4,502,777,155 resolved by the Board at its meeting of January 31, 2018, based on the Special-purpose Unconsolidated Financial Statements of Cablevisión as of September 30, 2017; (ii) allocate P\$1,311,975,449, to set up a Facultative Reserve to Maintain the Level of Investments in Capital Goods and the Current Level of the Company's Solvency.

Dividends paid by Telecom from the year 2017 to the date of issuance of this Annual Report are disclosed in the table below:

Distribution date	Amount (*)	Approved by	Results /Reserve from
December 29, 2017	4,150	Telecom	Telecom
December 29, 2017 (***)	3	Sofora	Sofora
January 8, 2018 (***)	4,078	Cablevisión	Cablevisión
February 15, 2018 (**)	5,641	Telecom	Telecom
February 15, 2018 (**)	4,503	Telecom	Cablevisión
February 15, 2018	2,863	Telecom	Telecom
March 21, 2018	6,866	Telecom	Telecom
<b>Total</b>	<b>28,104</b>		

(\*) Approximate amount in millions of P\$.

(\*\*) Dividends distributed in advance, to be ratified in the Ordinary Shareholders meeting to be held on April 25, 2018

(\*\*\*) Dividends approved by companies absorbed by Telecom before the Reorganization and Merger effective dates.



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Our ability to generate sufficient cash from our operations in order to satisfy our indebtedness and capital expenditure needs may be affected by macroeconomic factors influencing our business, including, without limitation, the exchange rate of Argentine Pesos to U.S. dollars and rates of inflation; among others. These factors are not within our control. Certain statements expressed in this section constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties, including those described in this Annual Report in Item 3 Key Information Risk Factors. Actual results may differ materially from our expectations described above as a result of various factors.

*Capital Expenditures*

In the Mobile Services segment, investments were oriented mainly to the deployment of 4G technology, to achieve increasing coverage and capacity in various cities of Argentina. This objective was reached through the startup of new sites, together with replacement and modernization of existent sites.

In respect of fixed access network, 2017 reaffirms our decision to focus investments in technologies and solutions to increase substantially broadband offered to users, mainly with GPON (FTTH) technology, which continued been deployed in different regions of the country. Our work plans allow satisfying the various services requirements for business, large buildings, and urban developments.

In respect of transport network, continuing with precedent year plans, investments were done to deploy new interurban paths of optical fiber, increase Backbone IP capacity, setting-up of new contents POPs, and increment of capacity and availability of DWDM network.

Also new equipment was installed for the Metro Ethernet network and for the evolution and extension of the regional transport networks, mainly in PTN (Packet Transport Network).

See Item 3 Key Information Risk Factors Risks relating to Telecom and its Operations We operate in a competitive environment that may result in a reduction in our market share in the future. We expect to finance our capital expenditures through cash generated from our operations, cash on hand and financing from third parties; therefore, our ability to fund these expenditures is dependent on, among other factors, our ability to generate sufficient funds internally. Telecom's ability to generate sufficient funds for capital expenditures is also dependent on its ability to increase its service prices, the increase of its operating costs due to inflation and the increase of the cost of imported materials as they may increase in peso terms (as a result of the decline in the peso/U.S. dollar exchange rate and higher inflation).

We estimate that our capital expenditures for the year 2018 will be approximately 24% of consolidated revenues.

*Taxes*

*Turnover Tax*

Under Argentine tax law, Telecom Argentina is subject to a tax levied on gross revenues. Rates differ depending on the jurisdiction where revenues are earned for tax purposes. Rates in effect ranged from 2.5% to 8.0% for the years ended December 31, 2017, 2016 and 2015, depending on the jurisdiction or goods and services subject to the tax.

On January 2, 2018, Law No. 27,429 enforced a Fiscal Consensus signed between the PEN and representatives of the Provinces and the Autonomous City of Buenos Aires. Among other issues, the provinces assumed the commitment to apply tax rates not higher than those for each activity and period that are set in the Annex to the Consensus (in the case of communications services 5% in 2018 reducing to 3% in 2022 and in the case of mobile service 7% in 2018 reducing to reach 5% in 2022).

*Income Tax*

Our income tax rate is, up to fiscal year 2017, 35% of net taxable income for the companies located in Argentina, 10% for Núcleo, Envíos and Tuves Paraguay in Paraguay and 39.5% (34% Federal Tax and 5.5% State Florida Tax) for Telecom Argentina USA in the United States. The amount of income subject to tax is calculated according to tax regulations which contain a different methodology for calculating net taxable income than the methodology used for the preparation of our

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Consolidated Financial Statements under IFRS. The differences between the methodology of computing income under the tax regulations and under IFRS make it difficult to determine the taxable net income from our income statements. For instance, some deductions from income normally accepted for accounting purposes are not deductible for tax purposes and, accordingly, must be added back to the income tax base when assessing this liability. Law No 27,430 decreases the corporate income tax rate from 35% to 30% for fiscal years starting January 1, 2018 to December 31, 2019, and to 25% for fiscal years starting January 1, 2020 and onwards.

Pursuant to U.S. Federal tax reform, the new U.S. corporate federal tax rate is 21% from 2018 onwards.

Tax on cash dividends received from a foreign subsidiary is calculated according to the statutory income tax rate. As per Paraguayan tax law, an additional income tax rate of 5% is imposed on dividends that are paid by a Paraguayan company. Additionally, under such law, when dividends are being paid to foreign shareholders, there is a withholding tax of 15%, which is deducted from the amounts which are paid to such shareholders.

As per Argentine tax law, income tax paid abroad and withholding tax are recognized as tax credits with certain quantitative limits.

Net losses in Argentina can generally be carried forward and applied against future taxable income for five years. However, Paraguayan law does not permit the carry-forward of such losses.

*Taxation on Dividends*

Pursuant to Law No. 26,893, dividends and other profits paid in cash or in kind except for stock dividends or quota dividends by companies and other entities incorporated in Argentina referred to in the Argentine Income Tax Law (the Income Tax Law), Sections 69 (a)(1), (2), (3), (6) and (7), and Section 69(b), to Argentine resident individuals and foreign beneficiaries were subject to income tax at a 10% rate. Law No. 27,260 repealed this withholding tax as of July 23, 2016. Consequently, no withholding tax is to be levied on dividends distributed to either Argentine or non-Argentine resident shareholders since then. This treatment applies only to dividends to be distributed at any time out of retained earnings accumulated until the end of the last fiscal year starting before January 1, 2018.

Likewise, the portion of those dividends exceeding the company's accumulated net taxable income (as determined by application of the Argentine Income Tax Law), if any, is subject to a 35% withholding tax on such excess (the Equalization Tax). For purpose of the Equalization Tax, the amount of accumulated net taxable income to be considered shall be determined by (1) deducting the income tax paid by the company, and (2) adding the dividends and profits not subject to tax received as distributions from other corporations. If the distribution is in-kind, then the corporation must pay the tax to the Argentine tax authorities and will be entitled to seek reimbursement from the shareholders.

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Dividends to be distributed out of earnings accrued in fiscal years starting on or after January 1, 2018, are to be subject to a tax treatment different from the one previously described, based on the recent enactment of a comprehensive tax reform -Law No. 27,430-, published in the Official Gazette on December 29, 2017, and generally effective since January 1, 2018.

Pursuant to Law No. 27,430 dividends and other profits paid in cash or in kind except for stock dividends or quota dividends by companies and other entities incorporated in Argentina referred to in the Argentine Income Tax Law (the Income Tax Law), Sections 69 (a)(1), (2), (3), (6), (7) and (8), and Section 69(b) to Argentine resident individuals and foreign beneficiaries will be subject to income tax at a 7% rate on profits accrued during fiscal years starting January 1, 2018 to December 31 2019, and at a 13% rate on profits accrued in fiscal years starting 1 January 2020 and onwards. If dividends are distributed to Argentine corporate taxpayers (in general, entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of foreign entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina), no dividend tax should apply.

### *Capital gains*

The results derived from the transfer of shares and other equity interests, bonds and other securities of Argentine companies are subject to Argentine capital gains tax, regardless of the type of beneficiary who realizes the gains.

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Capital gains obtained by Argentine corporate taxpayers (in general, entities organized or incorporated under Argentine law and local branches of non-Argentine entities) derived from the sale, exchange or other disposition of shares are subject to income tax at the corporate rate on net income. Recently, Law No. 27,430 decreased the corporate income tax rate from 35% to 30% for fiscal years beginning on January 1, 2018 to December 31, 2019, and to 25% for fiscal years beginning on January 1, 2020 and onwards.

*Individual resident's capital gains tax*

Law No 27,430 established that as from January 1, 2018, gains realized by Argentine resident individuals from the sale, transfer or disposition of shares, securities representing shares and certificates of deposit of shares are exempt from capital gains tax in the following cases: (i) when the shares are placed through a public offering authorized by the CNV, (ii) when the shares are traded in stock markets authorized by the CNV, under segments that ensure priority of price-time and interference of offers, or (iii) when the sale, exchange or other disposition of shares is made through an initial public offering and/or exchange of shares authorized by the CNV. For periods prior to 2018, it is currently under discussion the extent of the exemption (established by Law 26,893 and its implementing decree 2334/2013) applicable to the sale of shares and other securities through a stock exchange market, so as to determine whether it applies only sales of securities made in stock exchanges duly authorized by the CNV or in any stock exchanges.

*Nonresident's capital gains tax*

Pursuant to Law No. 26,893, capital gains obtained by non-Argentine residents from the sale, exchange or other disposition of shares and other equity interests, bonds and other securities of Argentine companies were subject to capital gains tax until December 30, 2017, even if those transactions were entered into between nonresidents.

Law No 27,430 provides that the capital gains tax applicable to nonresidents for transactions entered into between September 23, 2013 (when Law No. 26893 became effective) and December 30, 2017, is still due and regulations will state the mechanism to have it paid. However, no taxes will be claimed to nonresidents with respect to past sales of Argentine shares or other securities traded in CNV's authorized markets (such as ADSs) as long as the cause of the non-payment was the absence of regulations stating the mechanism of tax collection at the time the transaction was closed. General Resolution (AFIP) 4.227, which will come into effect on April 26, 2018, stipulates that the income tax should be paid to the AFIP under the following procedures: (i) in case the securities were sold through an Argentine stock exchange market, and the withholding has been made, then the withholder must pay the tax, (ii) in case the securities were sold but not through an Argentine stock exchange market and there is an Argentine buyer involved, then the Argentine buyer should pay the income tax; and (iii) when both the seller and the buyer were foreign beneficiaries and the sale was not performed through an Argentine stock exchange market, the person liable for the tax is the buyer and the payment shall be made through an international bank wire transfer to the AFIP. The payment of capital gains tax applicable for transactions entered into before December 30, 2017 is due on June 11, 2018.

In turn, Law 27,430 and Decree 279/2018, maintain the 15% capital gains tax (calculated on the actual net gain or a presumed net gain equal to 90% of the sale price) on the disposal of shares or securities by nonresidents. However, nonresidents are exempt from the capital gains tax on gains realized from the sale of (a) Argentine shares in the following cases: (i) when the shares are placed through a public offering authorized by the CNV, (ii) when the shares were traded in stock markets authorized by the CNV, under segments that ensure priority of price-time and



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interference of offers, or (iii) when the sale, exchange or other disposition of shares is made through an initial public offering and/or exchange of shares authorized by the CNV; and (b) depositary shares or depositary receipts issued abroad, when the underlying securities are shares (i) issued by Argentine companies, and (ii) with authorization of public offering. The exemptions will only apply to the extent the foreign beneficiaries reside in, or the funds used for the investment proceed from, jurisdictions considered as cooperating for purposes of the exchange of tax information.

In addition, it is clarified that, from 2018 onward, gains from the sale of ADSs will be treated from Argentine sources.

In case the exemption is not applicable and, to the extent foreign beneficiaries do not reside in, or the funds do not arise from, jurisdictions not considered as cooperative for purposes of fiscal transparency, the gain realized from the disposition of shares would be subject to Argentine income tax at a 15% rate on the net capital gain or at a 13.5% effective rate on the gross price. In case such

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foreign beneficiaries reside in, or the funds arise from, jurisdictions not considered as cooperative for purposes of fiscal transparency, a 35% tax rate on the net capital gain or at a 31.5% effective rate on the gross price should apply. As per the law, the Executive Power will be required to publish a list of non-cooperating jurisdictions. Meanwhile, to determine if a jurisdiction is cooperating or not, the list published by AFIP according to Decree 589/2013 should be consulted.

In such scenarios, according to General Resolution (AFIP) 4227, the income tax should be withheld and paid to the AFIP under the following procedures: (i) in case the securities were sold by a foreign beneficiary, through an Argentine stock exchange market, the custodian entity should withhold and pay the tax if it is involved in the payment process; if it is not involved in the payment process but there is an Argentine buyer involved, the Argentine buyer should withhold the income tax (ii) in case the securities were sold by a foreign beneficiary, but not through an Argentine stock exchange market and there is an Argentine buyer involved, the Argentine buyer should withhold the income tax; and (iii) when both the seller and the buyer are foreign beneficiaries and the sale is not performed through an Argentine stock exchange market, the person liable for the tax shall be the legal representative of the seller of the shares or securities being transferred or directly by the seller, in the event that there is no local legal representative. In this case, the payment shall be made through an international bank via wire transfer to the AFIP.

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from the holding and disposing of ADSs or Class B Shares.

*Assets - Tax revaluation option*

Law No 27,430 establishes an option for Argentine-resident individuals and companies to step their Argentine-based, income producing assets tax basis up. The step-up option can be exercised based on the assets tax basis values for the first fiscal period ending after the Law's entry into force. Under the law, the new tax basis in the assets will be determined by applying a revaluation factor, as established in the law, to the tax basis originally determined in each year or period of the asset's acquisition or construction. In the case of immovable or movable property qualifying as fixed assets, the value may be determined by an independent appraiser under certain conditions. In addition, the law imposes a one-time special tax on the amount of the revaluation. The applicable rate will vary depending on the assets revaluated:

- Real estate (regarded as capital assets): 8%
  
- Real estate (regarded as inventories): 15%
  
- Shares, quotas and other participations in Argentine companies owned by resident individuals: 5%
  
- All other assets (except inventories and cars, which may not be revaluated): 10%.

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The law requires taxpayers that opt for the special revaluation regime to withdraw from any judicial or administrative process in which they are claiming, for tax purposes, an adjustment for inflation and to desist from making a new claim. (See Item 8 Financial Information Tax Matters Income tax - Action for recourse filed with the AFIP ).

As of the date of this Annual Report, Telecom Argentina is evaluating the convenience of exercising this option.

### *Inflation adjustment for income tax purpose*

Law No 27,430 establishes the adjustment for inflation procedures in the Income Tax Law allowing the inflation adjustment for new acquisitions and investments carried out from January 1, 2018 and onwards; the law also allows the application of an integral inflation adjustment mechanism but only when the variation of the Internal Wholesale Price Index (in Spanish, Índice de Precios Internos al por Mayor or IPIM) supplied by the National Institute of Statistics and Censuses (in Spanish, Instituto Nacional de Estadística y Censos or INDEC), is higher than 100% for the 36-month period before the end of the fiscal period.

### *Thin Capitalization Rules*

Argentine Law No. 25,784, modified the limitation on the deduction of interest expense by stating that the limit will only be applied to interest expense on debt owed to non-resident entities that control the borrowing entity (except for interest expense subject to the 35% withholding tax) in proportion to the amount of debt that exceeds by two times the company's equity, and the excess of interest over this ratio will be treated as dividend payments. During fiscal years 2017, 2016 and 2015, Telecom's deduction of interest expenses was not limited because Telecom was able to meet the conditions required for such deduction.

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Law No 27,430, in force for fiscal years beginning after January 1, 2018, eliminates the 2:1 debt-to-equity ratio and establishes a new set of thin capitalization rules. Pursuant to this amendment, thin capitalization rules apply to interest on financial debt (i.e., interest not accruing on payables for the purchase of goods or services) entered into with related parties (whether local or foreign). Such interest expense can be deducted up to the higher amount of (i) an amount to be set by Regulations, or (ii) 30% of EBITDA. This limit can be increased by the excess of such higher amount over the amount of interest actually deducted in the last 3 taxable years, if any. If thin capitalization rules apply, the nondeductible portion of the interest expense will be carried forward for 5 taxable years, in which it will be added to the interest expense subject to thin capitalization rules to determine whether the limit is reached or not.

Thin capitalization rules do not apply to the following cases, among others:

- Interest expense lower to interest income (it is unclear whether such income should be from loans to related parties or from any sources; this topic may be covered by future Regulations).
- When the borrower's interest-to-EBITDA ratio is lower than or equal to the ratio of its economic group's interest expense on loans from unrelated parties and EBITDA (it is unclear whether the economic group must be Argentine or not; this issue should be covered by future Regulations).
- When the lender is subject to tax on such interest, as to be determined by Regulations.

The concept of interest subject to thin capitalization rules include foreign exchange losses and inflation or other index adjustments.

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*Tax on Minimum Presumed Income*

Our companies located in Argentina are required to pay an amount equal to the greater of the income tax or the tax on minimum presumed income. The tax on minimum presumed income is computed based on 1% of the value of our assets. The value of our assets is determined in accordance with the criteria established under the tax laws. The amount of any income tax paid during the year may be applied against the tax on minimum presumed income that would be payable in such year. The amount of any tax on minimum presumed income paid in excess of the income tax for such year may be carried forward for a period of up to ten years. This excess may be treated as a credit to be applied against the income tax payable in a future year to the extent the tax on minimum presumed income for the year does not exceed income tax payable for such future year. During fiscal years 2017, 2016 and 2015, income tax was higher than tax on minimum presumed income. Shares and other equity participations in companies subject to the tax on minimum presumed income are exempt from the tax on minimum presumed income.

According to Law No. 27,260, Tax on Minimum Presumed Income is repealed for fiscal years beginning from January 1, 2019.

*Value Added Tax (VAT)*

VAT does not have a direct impact on our results of operations. VAT paid by us to our suppliers is applied as a credit toward the amount of VAT charged by Telecom to its customers and the net amount is passed through to the Argentine government. VAT rates are 21%, 27% and 10.5%, depending on the type of the transaction and tax status of the customer.

The import of services (including financial services) by Argentine VAT taxpayers registered for VAT purposes, or responsables inscriptos, such as Telecom Argentina and Personal, is subject to VAT. In the case of loans, if the lender is a bank or a financial entity located in a country whose central bank has adopted the Banking Supervision Standards of the Basel Committee, the rate is 10.5%. If the foreign lender is one other than those mentioned above, the rate is 21%.

Pursuant to Law No 27,430 (effective for taxable events occurring as from February 1, 2018) digital services rendered from outside Argentina are subject to value added tax when the services are rendered to VAT taxpayers or consumers by a resident or a foreign party and the effective use of the services is conducted in Argentina. The purchaser of the digital services is liable to assess and remit the VAT to the Argentine tax authorities.

Law No. 27,346 states that since January 1, 2017, VAT for Argentinean residents, such as Telecom Argentina and Telecom Personal will be considered responsables sustitutos (substitutes) of the VAT tax that levies services rendered in Argentina by non-residents.

*Financial Transactions Tax*

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The financial transactions tax is levied on certain deposits to and withdrawals from bank accounts with Argentine financial institutions and to other transactions that, due to their special nature and characteristics, are similar or could be used in lieu of a deposit to or withdrawal from a bank account. Therefore, any deposit to or withdrawal from a bank account opened in an institution regulated by Law No. 21,526, or any transaction deemed to be used in lieu of a deposit to or withdrawal from a bank account, is subject to the tax on deposits and withdrawals unless a particular exemption is applicable. The tax rate in effect since August 1, 2001 has been 0.6% of the transaction volume.

During 2017, 2016 and 2015, we charged to our income statement P\$626 million, P\$539 million and P\$403 million, respectively, of this tax.

On February 6, 2003, the Ministry of Economy and Public Finance, through General Resolution No. 72/03, authorized us to increase the Basic Telephone Services reflecting the impact of the financial transactions tax. Telecom Argentina determined an amount of approximately P\$23 million had not yet been recovered that arose prior to the issuance of Resolution No.72/03 and that was not used to offset payment of other taxes. Such amount was recorded under Other receivables during 2007 and can be offset with existing and/or future regulatory duties. See Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework Tax on deposits to and withdrawals from bank accounts charged to customers.

Decree No. 534/2004 provides that owners of bank accounts subject to the general tax rate of 0.6% may take into account as a tax credit 34% of the tax originated in credits on such bank accounts. This amount may be computed as a credit for the Income Tax and Tax on Minimum Presumed Income. The amount computed as a credit is not deductible for income tax purposes.

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Pursuant to Law No 27,432 the PEN may decide that the percentage of the tax that on the date of entry into force of this law is not computable as payment on account of income tax, will be progressively reduced by up to twenty percent (20%) per year as of January 1, 2018, and also may decide that, in 2022, the tax provided for in Law No. 25,413 and its amendments as a payment on account of income tax will be computed in full.

*Personal Assets Tax*

Argentine companies, such as us, have to assess and pay the personal assets tax corresponding to their shareholders that are Argentine individuals and non-Argentine resident persons (natural and legal persons). The tax rate in effect through December 31, 2015 was 0.50%. As of December 31, 2016, Law No. 27,260 lowered the rate to 0.25%, which is to be assessed on the proportional net worth value (*valor patrimonial proporcional*), of the shares as per the Argentine entity's last financial statements prepared under Argentine GAAP. Pursuant to the Personal Assets Tax Law, an Argentine company is entitled to seek reimbursement for such paid tax from the applicable Argentine domiciled individuals and/or foreign domiciled shareholders. As a result, until shareholders reimburse Telecom Argentina for the amounts paid on their behalf, the payment of this tax constitutes a receivable for Telecom Argentina.

Telecom Argentina has, from time to time, requested that its shareholders reimburse the amounts of personal assets tax paid on their behalf and has received partial reimbursement of such taxes. The amount paid by Telecom Argentina and pending collection from its shareholders as of December 31, 2017, was approximately P\$18 million, which were included in the allowance for doubtful accounts, based on the recoverability assessment made by Telecom Argentina. Whenever applicable, personal assets tax paid on behalf of Telecom Argentina's shareholders is deducted from the cash dividend payment.

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and complied with certain other requirements may qualify for an exemption from the personal asset tax paid on behalf of the Shareholders for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should have been filed before March 31, 2017. Telecom Argentina has filed the request. Notwithstanding, we cannot assure that in the future, Telecom Argentina can fulfill those requirements and maintain the referred exemption.

*Other Taxes and Levies*

We are subject to a levy of 0.5% of our monthly revenues from telecommunications services. The proceeds of this levy are used to finance the activities of the Regulatory Bodies. The amount of this levy is included in our consolidated income statement within Taxes and fees with the Regulatory Authority.

Law No. 25,239 imposes a tax on Personal (entity absorbed by Telecom Argentina) of 4% (tax on mobile and satellite services) of amounts invoiced excluding VAT but including the excise tax, which results in an effective tax rate of up to 4.167%. Since March 1, 2018, pursuant to Law No 27,430, the rate increases to 5% (5.26% effective tax rate).

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Law No. 26,539 amends the excise tax and establishes that the importation and sale of technological and computer goods, including mobile phones, is subject to the excise tax at a rate of 17%, resulting in an effective tax rate of up to 20.48%, effective from December 1, 2009. Pursuant to Decree No. 979/2017 since November 15, 2017 mobile phones are levied at a rate of 10.50% resulting in an effective tax rate of 11.73%, this rate will decrease until January 2024 when no excise tax will be levied on this transactions. In the case of goods manufactured in Tierra del Fuego, no tax will apply since November 15, 2017.

Since the beginning of 2001, telecommunication services companies have been required to pay a Universal Service tax to fund Universal Service requirements. See Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework Universal Service Regulation.

Law No. 26,573, which was regulated in 2010, imposes a levy of 1% of the monthly revenues from telecommunication services, excluding prepaid services, which must be collected from the customers. The proceeds of this levy are used to finance the activities of the National Board of High Performance Sport (*Ente Nacional de Alto Rendimiento Deportivo* ENARD). Law No. 27,430 repeals this levy since March 1, 2018.

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Stamp tax is a provincial tax that is levied based on the formal execution of public or private instruments. Documents subject to stamp tax include, among others, various types of contracts, notarial deeds and promissory notes. Each province and the Autonomous City of Buenos Aires has its own stamp tax legislation. Stamp tax rates vary according to the jurisdiction and type of agreement involved. On January 2, 2018, Law No. 27,429 enforced a Fiscal Consensus signed between the PEN and representatives of the Provinces and the Autonomous City of Buenos Aires. Among other issues, the provinces assumed the commitment to apply tax rates not higher than those for each activity and period in the stamp tax, for certain acts and contracts, not higher than 0.75% as of January 1, 2019 with a gradual reduction until its complete elimination as of January 1, 2022.

Local municipalities establish various taxes and fees such as Safety and hygiene, Habilitation and inspection of structures and Advertising, among others.

Telecom Argentina is subject to a radioelectric spectrum fees that are paid to the Regulatory Authority for the use of the radio spectrum.

Law 27,430 gradually reduces the percentage of employers' contributions to be paid by large companies from 21% to 19.5% in 2022. It establishes a non-taxable base for calculating employers' contributions of \$ 2,400 Argentine pesos for 2018, which will increase until reaching \$12,000 Argentine pesos in 2022. The Law gradually phases out employers' contributions creditable against VAT.

**Research and Development, Patents and Licenses, etc.**

None.

**Trend Information**

During 2017, the economic activity grew compared to the previous year with a better expansion rate in the second half of the year and we expect that during next year the macroeconomic context will remain favorable in terms of activity level, recovery of the real wage, consumption and reduction of the inflation rate.

In terms of the regulatory framework, we expect that adjustments to the regulations that govern this sector will be made, favoring the convergence of TIC services and the competition in the industry. We are optimistic about the Government's intent to renew the regulatory framework and discuss the fundamentals of a convergence law, which will represent a major step forward for the country. With a focus on the convergence of services and in line with the global trend in the sector, we understand that the new regulatory framework should propose a comprehensive approach to communications, contemplating all the players capable of investing in modern and powerful networks to provide high level products and services in Argentina.

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It is essential for Argentina to have an adequate connectivity and convergent communication services (fixed and mobile Internet, video and voice) nationwide, to let meet those needs and be in line with the latest global communications technology.

Reaching that goal requires intensive investments, within the framework of the Merger, sustained over time, taking into consideration the exponential and steep growth of the demand for fixed and mobile broadband. That is why Telecom will invest approximately US\$ 5,000 million in the 2018-2020 three-year term to boost our infrastructure, integrating a single fixed-mobile network that will provide our customers with unlimited connection possibilities. In that light, we will unify the different networks of Telecom and Cablevisión to boost their strengths and create the network with the highest extension, capacity and coverage of Argentina. A network that will offer the highest connection speed and will adapt to strengthen all the fixed and mobile services for individuals, companies and governments.

Our goal is to develop the best offerings in terms of speed, quality, innovation, value proposition and technological reliability for all the services. We will seek to increase the demand for the products and services of our trademarks and even add new customers developing combined offerings focused on providing connection at all times and from any device.

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In terms of fixed broadband, Telecom will maintain the plans for fiber optic cable laying increasingly closer to households, unifying different access technologies to improve browsing speeds and reconfiguring copper fixed networks into fiber networks or hybrid fiber-coaxial networks to offer customers higher connection speed and allow them to enjoy audiovisual contents that demand high network capacity.

As to the mobile network, we will continue with our strategy to expand network coverage, availability and capacity with the technological reconversion plans, the expansion of the 4G network to more locations and the extension of the 4.5G network, already available in 90% of the coverage area of Personal's 4G network. We are preparing for the development of 5G technology which supports ultra broadband connection, essential for the most innovative mobile applications and the growth of the connection between devices known as IoT (Internet of Things).

We are favoring the integration and synergy between Personal's network, Nextel's network resources and Fibertel's and Arnet's fiber optic, in addition to the high capacity and capillarity of the IP transport interurban network, with a new architecture that will allow the company to transport not only own digital contents but also those of third parties.

This single network, Argentina's most powerful and sustainable one, will allow us to expand the plan for the transformation of contents and IP video services, among which Flow is the most remarkable.

In the corporate world, Telecom will continue to expand its corporate services portfolio to companies that seek to intensify cloud-based solutions, using the infrastructure of our data centers distributed throughout the country.

We will continue to work on our goal of boosting operating excellence to make a better use of the Company's physical, human and technological resources in order to continue meeting the profitability expectations of our investors.

Customer service is another key pillar of Telecom Argentina. We focus on placing customers at the core of our operations and that is why we are integrally refurbishing our communication platforms, which have an impact on management, charging and billing, with a view to the convergence of processes, commercial offerings and dynamic and omnichannel customer service, mainly geared towards the digital world.

Connectivity is no longer fixed or mobile, it is present in every aspect of everyday life, breaking down the barriers with which services were conceived more than two decades ago. The purpose of Telecom in this new and auspicious stage is to make high speed fixed and mobile connectivity flow a reality, irrespective of the device and location of each customer.

**Contractual Obligations**

Our consolidated contractual obligations and purchase commitments as of December 31, 2017 were as follows:

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	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(in millions of Argentine Pesos)				
Debt obligations (1)	3,389	5,730	4,984		14,103
Finance Lease Obligations	13				13
Operating lease obligations	681	957	228	143	2,009
Purchase obligations (2)	7,429	699	171	282	8,581
Other long-term liabilities (3)	190	220	48	160	618
<b>Total</b>	<b>11,702</b>	<b>7,605</b>	<b>5,431</b>	<b>586</b>	<b>25,324</b>

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(1) Includes P\$1,868 million of future interest.

(2) Other than operating lease obligations. It includes PP&E purchase obligations, inventories purchase obligations, and other services purchase obligations, among others.

(3) Includes voluntary retirement program, pension benefits and other long-term payables.

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**Off-Balance Sheet Arrangements**

None.

**Safe Harbor**

See the discussion at the beginning of this Item 5 and **Forward-Looking Statements** in the introduction of this Annual Report, for forward-looking statement safe harbor provisions.

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**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**The Board of Directors**

The direction and management of Telecom Argentina is vested in the Board of Directors and its executive officers. Telecom Argentina's bylaws were amended at the Ordinary and Extraordinary Shareholders' Meeting held on August 31, 2017 providing for a Board of Directors consisting of (i) no fewer than eleven and no more than seventeen directors and (ii) the same or a lesser number of alternate members. This amendment has not been recorded yet with the IGJ.

As of the date of this Annual Report, Telecom Argentina has eleven directors and eleven alternate directors. Three of the directors and two of the alternate directors qualify as independent directors under SEC regulations. Three of the directors and three of the alternate directors also qualify as independent directors under CNV rules. According to Telecom Argentina's bylaws, the Board of Directors has all of the required authority to manage the corporation, including those for which the law requires special powers. The Board of Directors operates where there is a quorum of the absolute majority of its members and resolves issues by simple majority of votes present, provided that in respect of certain matters (the Supermajority Matters) the favorable vote of at least one Director proposed for designation by the Class A and one Director proposed for designation by the Class D is required to pass a resolution. According to Telecom Argentina's bylaws, the chairman of the Board of Directors (the Chairman) has a double vote in the case of a tie, except in respect of Supermajority Matters. Under CNV regulation, in order to be independent, a director must neither be employed by, nor affiliated with, Telecom Argentina, CVH or Fintech. Directors and alternate directors are normally elected at annual ordinary general meetings of shareholders (Annual Ordinary Shareholders' Meetings) and serve a renewable three-year term. None of Telecom Argentina's directors have services contracts with Telecom Argentina (or any subsidiary) providing for benefits upon termination of employment as a director.

On January 31, 2018 the Board of Directors organized and approved the internal rules of the Executive Committee, (the Rules of the Executive Committee (Reglamento de Facultades y Funcionamiento)) provided for in Article thirteen of our Bylaws which shall be in charge of the approval, *inter alia*, of matters in the ordinary course of business, but without executive responsibilities which shall be in charge of the managers of the Company, the preliminary approval of plans of important significance including the Business Plan and Annual Budget of the Company, prior to its approval by the Board and also certain other duties that were priorly performed by the *Comité de Operaciones* and the *Consejo de Administración* which have been eliminated. The Executive Committee is comprised of 5 members, all of them are required to be Directors of the Company, takes all of its resolution by the unanimous vote of all its members and in case such consent is not obtained in respect of any matter the matter is posted for approval of the Board of Directors.

As established in the Telecom Shareholders' Agreement between CVH and Fintech, provided that CVH holds a certain percentage of Telecom Argentina Shares, CVH shall be entitled to designate the majority of the directors, alternate directors, members of the Supervisory Committee, Executive Committee members, Audit Committee members, the CEO and any other Key Employee (other than the CFO and the Internal Auditor, who shall be designated by Fintech). CVH shall also be entitled to nominate the Chairman of the Board and Fintech to nominate de Vicechairman of the Board. In the absence of a director, the corresponding alternate director may attend and vote at meetings of the Board of Directors.

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See Item 7 Major Shareholders and Related Party Transactions Major Shareholders Telecom Shareholders Agreement for a description of certain agreements relating to the appointment of members of the Board of Directors.

The following table lists our directors and alternate directors as of December 31, 2017:

<b>Name</b>	<b>Position on the Board of Directors</b>	<b>Date Director joined the Board of Directors</b>
Mariano Marcelo Ibáñez	Chairman of the Board of Directors	March 8, 2016
Carlos Alejandro Harrison	ViceChairman of the Board of Directors	March 8, 2016
Baruki Luis Alberto González	Director	April 8, 2016
Saturnino Jorge Funes	Director	March 8, 2016
Martín Héctor D Ambrosio	Director	March 8, 2016
Pedro Chomnalez (*)	Director	March 8, 2016
Alejandro Macfarlane (*)	Director	March 8, 2016

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Eduardo Javier Villegas Contte (*)	Director	June 6, 2017
Alejo Maxit	Director	April 27, 2017
Pedro Costoya	Director	April 29, 2016
Darío Leandro Genua	Director	April 29, 2016
Javier Errecondo (*)	Alternate Director	June 6, 2017
Delfina Aira (*)	Alternate Director	June 6, 2017
José Carlos Cura	Alternate Director	April 27, 2017
Gabriel Hugo Fissore (*)	Alternate Director	March 3, 2016
José Luis Galimberti (*)	Alternate Director	March 8, 2016
Ignacio Villarroel (*)	Alternate Director	March 8, 2016
Ignacio Gustavo Alvarez Pizzo	Alternate Director	