

TELECOM ARGENTINA SA  
Form 6-K  
June 10, 2016  
[Table of Contents](#)

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 6-K

Report of Foreign Issuer

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

For the month of June 2016

Commission File Number: 001-13464

**Telecom Argentina S.A.**

(Translation of registrant's name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

(Address of principal executive offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

Yes

No

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

Yes

No

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

Table of Contents

**Telecom Argentina S.A.**

TABLE OF CONTENTS

**Item**

1. Unaudited Condensed Consolidated Financial Statements as of March 31, 2016
-

Table of Contents

**Item 1**

**TELECOM ARGENTINA S.A.**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2016**

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Table of Contents

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2016 AND 2015**

**INDEX**

**Operating and financial review and prospects as of March 31, 2016**

**Unaudited condensed consolidated financial statements**

Unaudited consolidated statements of financial position

Unaudited consolidated income statements

Unaudited consolidated statements of comprehensive income

Unaudited consolidated statements of changes in equity

Unaudited consolidated statements of cash flows

Notes to the unaudited condensed consolidated financial statements

**Limited review report on condensed interim consolidated financial statements**

**Corporate information**

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Table of Contents**OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2016**

(In millions of Argentine pesos or as expressly indicated)

**1. General considerations**

As required by CNV regulations, the Company has prepared its consolidated financial statements as of March 31, 2016 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

**2. Telecom Group's activities for the three-month periods ended March 31, 2016 ( 1Q16 ) and 2015 ( 1Q15 )**

Total revenues and other income for 1Q16 amounted to \$12,466 (+40.4% vs. 1Q15), operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E amounted to \$10,469 (+45.4% vs. 1Q15), operating income before depreciation and amortization amounted to \$3,394 (+28.9% vs. 1Q15) representing 27.3% of consolidated revenues, operating income amounted to \$1,997 (+18.9% vs. 1Q15) and net income amounted to \$935 (-10.2% vs. 1Q15). Net income attributable to Telecom Argentina amounted to \$925 (-10.0% vs. 1Q15).

|                                                                                          | 1Q16         | 1Q15         | Variation<br>\$ | %             |
|------------------------------------------------------------------------------------------|--------------|--------------|-----------------|---------------|
| Revenues                                                                                 | 12,455       | 8,872        | 3,583           | 40.4          |
| Other income                                                                             | 11           | 7            | 4               | 57.1          |
| Operating costs without depreciation and amortization                                    | (9,072)      | (6,245)      | (2,827)         | 45.3          |
| <b>Operating income before depreciation and amortization</b>                             | <b>3,394</b> | <b>2,634</b> | <b>760</b>      | <b>28.9</b>   |
| Depreciation and amortization                                                            | (1,375)      | (957)        | (418)           | 43.7          |
| Gain on disposal of PP&E and impairment of PP&E                                          | (22)         | 3            | (25)            | n/a           |
| <b>Operating income</b>                                                                  | <b>1,997</b> | <b>1,680</b> | <b>317</b>      | <b>18.9</b>   |
| Financial results, net                                                                   | (557)        | (89)         | (468)           | n/a           |
| <b>Income before income tax expense</b>                                                  | <b>1,440</b> | <b>1,591</b> | <b>(151)</b>    | <b>(9.5)</b>  |
| Income tax expense                                                                       | (505)        | (550)        | 45              | (8.2)         |
| <b>Net income</b>                                                                        | <b>935</b>   | <b>1,041</b> | <b>(106)</b>    | <b>(10.2)</b> |
| <b>Attributable to:</b>                                                                  |              |              |                 |               |
| Telecom Argentina (Controlling Company)                                                  | 925          | 1,028        | (103)           | (10.0)        |
| Non-controlling interest                                                                 | 10           | 13           | (3)             | (23.1)        |
|                                                                                          | <b>935</b>   | <b>1,041</b> | <b>(106)</b>    | <b>(10.2)</b> |
| <b>Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)</b> |              |              |                 |               |
|                                                                                          | <b>0.95</b>  | <b>1.06</b>  |                 |               |

- Total revenues and other income**

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During 1Q16 consolidated total revenues increased 40.4% (+\$3,583 vs. 1Q15) amounting to \$12,455 mainly fueled by the mobile services provided by Personal, Broadband and data transmission businesses.

|                                  | 1Q16                                       | 1Q15         | Variation    |             |
|----------------------------------|--------------------------------------------|--------------|--------------|-------------|
|                                  |                                            |              | \$           | %           |
| <b><u>Services</u></b>           |                                            |              |              |             |
| Retail Voice                     |                                            |              |              |             |
| Monthly Charges                  | 458                                        | 312          | 146          | 46.8        |
| Measured Services                | 493                                        | 409          | 84           | 20.5        |
| Others                           | 24                                         | 24           |              |             |
| Wholesale Voice                  |                                            |              |              |             |
| Fixed and mobile interconnection | 237                                        | 155          | 82           | 52.9        |
| Others                           | 115                                        | 80           | 35           | 43.8        |
| Data                             | 689                                        | 407          | 282          | 69.3        |
| Internet                         | 1,390                                      | 973          | 417          | 42.9        |
|                                  | <b>Subtotal Fixed Services</b>             | <b>2,360</b> | <b>1,046</b> | <b>44.3</b> |
| Retail Voice                     |                                            |              |              |             |
| Monthly Charges                  | 1,228                                      | 954          | 274          | 28.7        |
| Measured Services                | 512                                        | 535          | (23)         | (4.3)       |
| Roaming                          | 93                                         | 85           | 8            | 9.4         |
| Others                           | 216                                        | 128          | 88           | 68.8        |
| Wholesale Voice                  |                                            |              |              |             |
| Interconnection                  | 361                                        | 392          | (31)         | (7.9)       |
| Roaming                          | 85                                         | 79           | 6            | 7.6         |
| Mobile leases                    | 19                                         | 10           | 9            | 90.0        |
| Data                             | 1,735                                      | 1,845        | (110)        | (6.0)       |
| Internet                         | 2,202                                      | 1,188        | 1,014        | 85.4        |
|                                  | <b>Subtotal Mobile Services - Personal</b> | <b>5,216</b> | <b>1,235</b> | <b>23.7</b> |

Table of Contents

|                                        | 1Q16          | 1Q15         | Variation<br>\$ | %            |
|----------------------------------------|---------------|--------------|-----------------|--------------|
| <b>Retail Voice</b>                    |               |              |                 |              |
| Monthly Charges                        | 77            | 51           | 26              | 51.0         |
| Measured Services                      | 81            | 77           | 4               | 5.2          |
| Roaming                                | 3             | 3            |                 |              |
| Others                                 | 40            | 17           | 23              | 135.3        |
| <b>Wholesale Voice</b>                 |               |              |                 |              |
| Interconnection                        | 27            | 20           | 7               | 35.0         |
| Roaming                                | 4             | 4            |                 |              |
| Others                                 | 3             | 2            | 1               | 50.0         |
| Data                                   | 99            | 80           | 19              | 23.8         |
| Internet                               | 214           | 129          | 85              | 65.9         |
| <b>Subtotal Mobile Services Núcleo</b> | <b>548</b>    | <b>383</b>   | <b>165</b>      | <b>43.1</b>  |
| <b>Revenue from services</b>           | <b>10,405</b> | <b>7,959</b> | <b>2,446</b>    | <b>30.7</b>  |
| <b>Equipment</b>                       |               |              |                 |              |
| Fixed Services                         | 33            | 10           | 23              | 230.0        |
| Mobile Services- Personal              | 1,957         | 881          | 1,076           | 122.1        |
| Mobile Services Núcleo                 | 60            | 22           | 38              | 172.7        |
| <b>Revenue from equipment sales</b>    | <b>2,050</b>  | <b>913</b>   | <b>1,137</b>    | <b>124.5</b> |
| <b>Total Revenues</b>                  | <b>12,455</b> | <b>8,872</b> | <b>3,583</b>    | <b>40.4</b>  |

Services revenues amounted to \$10,405 (+30.7% vs. 1Q15) and represented 83.5 % of consolidated revenues (vs. 89.7% in 1Q15). Equipment revenues increased 124.5%, amounting to \$2,050 and represented 16.5% of consolidated revenues (vs. 10.3% in 1Q15).

Fixed Services

During 1Q16, services revenues generated by this segment amounted to \$3,406 (+\$1,046 or 44.3% vs. 1Q15), where Internet revenues have grown the most (+\$417 or +42.9% vs. 1Q15), followed by data transmission services (+\$282 or +69.3% vs. 1Q15) and voice retail services (+\$230 or +30.9% vs. 1Q15).

- Voice

Voice retail revenues (including regulated services) reached \$975 in 1Q16 (+30.9% vs. 1Q15). Revenues from regulated services reached approximately 24% of the segment services revenues in 1Q16 (vs. 27% in 1Q15).

Monthly Charges and Supplementary Services increased \$146 or +46.8% vs. 1Q15, reaching \$458. The increase was mainly due to higher Supplementary Services revenues (not regulated) amounting to \$26, which was mainly related to an increase in their prices and, to a lesser extent, to the increase in the subscriber base. It also includes higher monthly charges to commercial, professional and government customers amounting to \$120.



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Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$493 (+\$84 or 20.5% vs. 1Q15), mainly due to the increase in plans prices (both in local and long national distance). According to this, local measured service revenues increased 25.9% vs. 1Q15 and DLD revenues increased 18.4% vs. 1Q15. The Average Monthly Revenue per User ( ARBU ) amounted to \$80.9 pesos per month in 1Q16 vs. \$60.5 pesos per month amounted in 1Q15, representing an increase of 33.7%. The remaining retail voice revenues amounted to \$24 in 1Q16 (the same as in 1Q15).

Voice wholesale revenues (including fixed and mobile interconnection revenues and lease of circuits, together with the revenues generated by the subsidiary Telecom USA amounting to \$85) amounted to \$352 in 1Q16 (+49.8% vs. 1Q15). Interconnection fixed and mobile revenues amounted to \$237 and the other wholesale revenues amounted to \$115 in 1Q16 (+43.8% vs. 1Q15), mainly due to higher prices related to cell sites rentals due to the variation of the \$/US\$ exchange rate.

- **Data**

Data revenues (including the revenues generated by the subsidiary Telecom USA amounted to \$2) amounted to \$689 (+\$282 vs. 1Q15). These revenues were generated focusing on the Company'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 \$/US\$ exchange rate related to agreements settled in such foreign currency and to the increase in the number of *Innovation* services customers (in particular *Integra* service, which increased \$61 vs. 1Q15).

Table of Contents

- **Internet**

Internet revenues amounted to \$1,390 (+\$417 or +42.9% vs. 1Q15) mainly due to the expansion of the Broadband customers (+2.3% vs. 1Q15) and an increase in average prices resulting in an improvement in the Average Monthly Revenue per User ( ARPU ), that amounted to \$248.8 pesos per month in 1Q16 vs. \$178.5 pesos per month in 1Q15 (+39.4%). As of March 31, 2016, Telecom Argentina reached approximately 1,809,000 ADSL customers. These connections represent approximately 45.1% of Telecom Argentina s fixed lines in service (vs. 43.4% in 1Q15). The churn rate per month amounted to 1.4% in 1Q16 (vs. 1.3% in 1Q15).

Internet services revenues represent 11.2% of consolidated revenues (vs. 11.0% 1Q15) and 40.8% of Fixed Services segment services revenues (vs. 41.2% in 1Q15).

**Personal Mobile Services**

During 1Q16, total services revenues amounted to \$6,451 (+\$1,235 or 23.7% vs. 1Q15), being the principal business segment in revenues terms (62.0% and 65.5% of services consolidated revenues in 1Q16 and 1Q15, respectively). Personal reached 19.7 million subscribers in Argentina (+1.7% vs. 1Q15). Approximately 67% of the subscriber base is prepaid subscribers and 33% is postpaid subscribers (including Cuentas claras and postpaid Mobile Internet dongles). The churn rate per month amounted to 2.9% in 1Q16 (vs. 3.3% in 1Q15).

- **Voice**

Voice retail revenues amounted to \$2,049 in 1Q16 (+20.4% vs. 1Q15). The increase was mainly due to the increase in monthly charges prices in the postpaid and Cuentas claras subscriber base and prepaid services and to the net variation of the subscriber base showing an increase in Cuentas claras subscribers (+8.6% vs. 1Q15) and postpaid subscribers (+4.9% vs. 1Q15) and a decrease in prepaid subscribers (-0.6% vs. 1Q15).

Voice wholesale revenues amounted to \$465 in 1Q16 (-3.3% vs. 1Q15), mainly due to the decrease in interconnection services (mainly TLRD and CPP).

- **Data**

Mobile data services revenues amounted to \$1,735 (-\$110 or -6.0% vs. 1Q15). This situation is related to the main component of VAS revenues, SMS consumption, which decreased \$219 or -21.7% vs. 1Q15, experiencing a decrease in TOU (-69.0% vs. 1Q15). Nevertheless, this effect was

partially offset by the constant SMS with contents sales increase as a result of several campaigns launched by Personal, which represented an inter-annual increase of \$88 or 11.2%.

- **Internet**

Mobile Internet revenues amounted to \$2,202 (+\$1,014 or +85.4% vs. 1Q15). This increase is mainly explained by the increase in browsing services consumption of Personal's subscribers, which was mainly fueled by the increase in the offer of services, plans and packs (including VAS) launched by Personal. This growth was fueled by new subscribers, the migration of the existing ones to higher-value plans and the increase of subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing. Internet flat rate services revenues have decreased mainly due to the decrease of Mobile Internet dongles subscribers (-17% vs. 1Q15).

As a consequence of the increase in VAS use (Internet and data), ARPU increased to \$104.4 pesos per month in 1Q16 (vs. \$86.2 pesos per month in 1Q15), which represents an increase of 21.1%.

VAS revenues (data and Internet) amounted to \$3,937 (+29.8% vs. 1Q15) and represented 61.0% of Personal Mobile Services' services revenues (vs. 58.1% in 1Q15).

**Núcleo Mobile Services**

This segment generated services revenues equivalent to \$548 during 1Q16 (+\$165 or 43.1% vs. 1Q15) mainly due to the Internet revenues increase (+65.9% vs. 1Q15), mainly related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of March 31, 2016, Núcleo's subscriber base reached 2.6 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 80% and 20% in 1Q16, respectively.

VAS revenues (data and Internet) amounted to \$313 (+49.8% vs. 1Q15) and represented 57.1% of Núcleo Mobile Services segment services revenues (vs. 54.6% in 1Q15).

Table of Contents

The Telecom Group's services revenues increased 30.7%. Data and Internet services revenues from all segments have maximized Telecom Group's services revenues showing a 36.9% increase vs. 1Q15, increasing its relative weight over total services revenues according to the following table:

|                                | 2016          | Three-month periods ended March 31, |              | Variation % |               |
|--------------------------------|---------------|-------------------------------------|--------------|-------------|---------------|
|                                |               | %                                   | 2015         | %           | 1Q16 vs. 1Q15 |
| Voice - Retail                 | 3,225         | 31                                  | 2,595        | 33          | 24.9          |
| Voice - Wholesale              | 851           | 8                                   | 742          | 9           | 7.1           |
| <b>Total Voice</b>             | <b>4,076</b>  | <b>39</b>                           | <b>3,337</b> | <b>42</b>   | <b>32.1</b>   |
| Data                           | 2,523         | 24                                  | 2,332        | 29          | 22.4          |
| Internet                       | 3,806         | 37                                  | 2,290        | 29          | 22.0          |
| <b>Total services revenues</b> | <b>10,405</b> | <b>100</b>                          | <b>7,959</b> | <b>100</b>  | <b>30.7</b>   |

Equipment

Revenues from equipment amounted to \$2,050, +\$1,137 or +124.5% vs. 1Q15. This increase is mainly related to the Personal Mobile Services with an increase of \$1,076 vs. 1Q15 due to higher handsets sold (+37% vs. 1Q15) and higher handset's sale prices (+64% vs. 1Q15) resulting in a significantly higher operating margin of handsets in this segment (+\$288 or +100.0% vs. 1Q15).

• **Operating costs**

Consolidated operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E totaled \$10,469 in 1Q16, which represents an increase of \$3,270 or +45.4% vs. 1Q15. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure of the Telecom Group in Argentina, the increase in fees for services related to higher supplier prices, the increase in taxes and fees with the Regulatory Authority, the increase in the cost of equipment and handsets, the increase of VAS costs, the increase in bad debt expenses, higher agent commissions and higher depreciations and amortizations.

|                                                           | Variation |         | Variation in \$ by segment |      |             |                   |                 |
|-----------------------------------------------------------|-----------|---------|----------------------------|------|-------------|-------------------|-----------------|
|                                                           | 1Q16      | 1Q15    | \$                         | %    | Fixed Serv. | Personal M. Serv. | Núcleo M. Serv. |
| Employee benefit expenses and severance payments          | (2,174)   | (1,543) | (631)                      | 40.9 | (474)       | (144)             | (13)            |
| Interconnection costs and other telecommunication charges | (707)     | (500)   | (207)                      | 41.4 | (101)       | (87)              | (19)            |
| Fees for services, maintenance, materials and supplies    | (1,093)   | (889)   | (204)                      | 22.9 | (130)       | (57)              | (17)            |
| Taxes and fees with the Regulatory Authority              | (1,208)   | (873)   | (335)                      | 38.4 | (79)        | (249)             | (7)             |
| Commissions                                               | (1,231)   | (823)   | (408)                      | 49.6 | (13)        | (371)             | (24)            |
|                                                           | 341       | 200     | 141                        | 70.5 | 2           | 138               | 1               |

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Agent commissions capitalized as SAC

|                                                    |                 |                |                |             |              |                |              |
|----------------------------------------------------|-----------------|----------------|----------------|-------------|--------------|----------------|--------------|
| Cost of equipment and handsets                     | (1,534)         | (660)          | (874)          | 132.4       | (26)         | (797)          | (51)         |
| Cost of equipment and handsets capitalized as SAC  | 35              | 20             | 15             | 75.0        |              | 9              | 6            |
| Advertising                                        | (192)           | (191)          | (1)            | 0.5         |              | 6              | (7)          |
| Cost of VAS                                        | (390)           | (293)          | (97)           | 33.1        | (7)          | (85)           | (5)          |
| Provisions                                         | (14)            | (93)           | 79             | (84.9)      | 49           | 30             |              |
| Bad debt expenses                                  | (255)           | (183)          | (72)           | 39.3        | 7            | (64)           | (15)         |
| Other operating expenses                           | (650)           | (417)          | (233)          | 55.9        | (125)        | (96)           | (12)         |
| <b>Subtotal</b>                                    | <b>(9,072)</b>  | <b>(6,245)</b> | <b>(2,827)</b> | <b>45.3</b> | <b>(897)</b> | <b>(1,767)</b> | <b>(163)</b> |
| Depreciation of PP&E                               | (933)           | (677)          | (256)          | 37.8        | (81)         | (122)          | (53)         |
| Amortization of SAC and service connection charges | (339)           | (216)          | (123)          | 56.9        | (9)          | (105)          | (9)          |
| Amortization of other intangible assets            | (103)           | (64)           | (39)           | 60.9        | (1)          | (38)           |              |
| Gain on disposal of PP&E and impairment of PP&E    | (22)            | 3              | (25)           | n/a         | 3            | (29)           | 1            |
| <b>Total operating costs</b>                       | <b>(10,469)</b> | <b>(7,199)</b> | <b>(3,270)</b> | <b>45.4</b> | <b>(985)</b> | <b>(2,061)</b> | <b>(224)</b> |

The costs breakdown is as follows:

**Employee benefit expenses and severance payments**

Employee benefit expenses and severance payments amounted to \$2,174 (+\$631 or +40.9% vs. 1Q15). The increase was mainly due to increases in salaries agreed by Telecom Argentina with several trade unions for the unionized employees and also to non-unionized employees, together with related social security charges. With a total headcount of 16,290 by the end of 1Q16, (vs. 16,358 employees in 1Q15), lines in service per employee reached 365 in the Fixed Services segment (slightly lower than 1Q15), subscribers per employee reached 4,020 in the Personal Mobile Services segment (+2.8% vs. 1Q15) and subscribers per employee reached 6,244 (similar to 1Q15) in the Núcleo Mobile Services segment.

**Interconnection costs and other telecommunication charges**

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, Interconnection costs, cost of international outbound calls and lease of circuits) amounted to \$707 (+\$207 or +41.4% vs. 1Q15). The increase was mainly due to higher TLRD and roaming costs.

Table of Contents

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

Fees for services, maintenance, materials and supplies amounted to \$1,093, +\$204 or +22.9% vs. 1Q15. 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 \$/US\$ exchange rate, an increase in 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 to suppliers in all segments.

**Taxes and fees with the Regulatory Authority**

Taxes and fees with the Regulatory Authority (including turnover tax, fees with the Regulatory Authority, IDC, municipal and other taxes) amounted to \$1,208 (+38.4% vs. 1Q15), influenced mainly by the increase in revenues of fixed and mobile services and by the increase of the IDC related to higher collections and payments to suppliers in 1Q16 vs. 1Q15.

**Commissions**

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$1,231 (+\$408 or +49.6% vs. 1Q15). The increase was mainly due to the increase in Agents' commissions (associated to higher revenues) as a result of higher customer's acquisition and retention costs recognized to them and the increase of outsourced sales commissions and collection commissions.

On the other hand, agent commissions capitalized as SAC amounted to \$341, +\$141 or +70.5% vs. 1Q15, and it's directly related to the increase in the Cuentas claras subscribers' base in the Personal Mobile Services segment and the increase in the commissions prices.

**Cost of equipment and handsets**

Cost of equipments and handsets amounted to \$1,534 (+\$874 or +132.4% vs. 1Q15) mainly due to the increase in the units of handsets sold (+37% vs. 1Q15) and the increase in the average unit cost of sales (+72% vs. 1Q15) in the Personal Mobile Services segment.

On the other hand, SAC deferred costs from handsets sold amounted to \$35, +\$15 or +75.5% vs. 1Q15.

**Advertising**

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Advertising amounted to \$192 (+\$1 vs. 1Q15).

### Cost of VAS

Cost of VAS amounted to \$390 (+\$97 or +33.1% vs. 1Q15). The increase was mainly due to the increase of VAS sales in the Personal Mobile Services segment, especially the SMS with content service, which grew as a consequence of several campaigns launched by Personal.

### Provisions

Provisions amounted to \$14, -\$79 or -84.9% vs. 1Q15. The decrease was mainly due to lower labor claims (-\$13 vs. 1Q15), lower civil and commercial claims (-\$42 vs. 1Q15) and lower regulatory and municipal contingencies (-\$25 vs. 1Q15).

### Bad debt expenses

Bad debt expenses amounted to \$255 (+\$72 or +39.3% vs. 1Q15), representing approximately 2.0% and 2.1% of the consolidated revenues in 1Q16 and 1Q15, respectively. The major increase is observed in the Personal Mobile Services segment by \$79 as a consequence of higher aging of the accounts receivables and higher incidence of handsets sales directly financed by Personal to its postpaid and Cuentas claras subscribers. These charges have been partially offset in Telecom Argentina by \$7 in the Government and Corporate segment as a consequence of the collection from some governmental entities.

### Other operating costs

Other operating costs amounted to \$650 (+\$233 or +55.9% vs. 1Q15). The increase was mainly due to higher prices on related services, especially in transportation, freight and travel expenses (+\$109 or +76.8% vs. 1Q15), among others, in the operations in Argentina; the increase of rent prices (+\$57 or +46.7% vs. 1Q15), as a result of new agreements and the renegotiation of some of the existing ones and the increase of the consumption of electricity (+\$69 or +77.5% vs. 1Q15).

Table of Contents

- **Operating income before depreciation and amortization**

Operating income before depreciation and amortization amounted to \$3,394 in 1Q16 (+\$760 or 28.9% vs. 1Q15), representing 27.3% of consolidated revenues in 1Q16 (vs. 29.7% in 1Q15). This growth was mainly fueled by the Fixed Services segment (+\$186 or +29.8% vs. 1Q15) and Personal Mobile Services segment (+\$534 or +28.7% vs. 1Q15).

Operating income before depreciation and amortization generated by equipment and handset sales (including SAC capitalization) amounted to \$551 in 1Q16 vs. \$273 in 1Q15 (+\$278 or 101.8% vs. 1Q15), while operating income before depreciation and amortization generated by services sales amounted to \$2,843 in 1Q16 vs. \$2,361 in 1Q15 (+\$482 or +20.4% vs. 1Q15).

Depreciation and amortization

Depreciation and amortization amounted to \$1,375 (+\$418 or +43.7% vs. 1Q15). The increase in depreciation and amortization includes \$256 from PP&E depreciation, \$39 from amortization of intangible assets without SAC and \$123 from amortization of SAC and service connection costs. The increase in depreciation and amortization corresponds 27% to the Fixed Services segment and 73% to the mobile services segments.

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

Gain on disposal of PP&E and impairment of PP&E amounted to a loss of \$22 in 1Q16 and to a gain of \$3 in 1Q15, respectively, and were mainly related to the Personal Mobile Services segment.

- **Operating income**

Operating income amounted to \$1,997 in 1Q16 (+\$317 or 18.9% vs. 1Q15). The margin over consolidated revenues represented 16.0% in 1Q16 (vs. 18.9% in 1Q15). This growth was mainly fueled by the Personal Mobile Services segment (+\$240 or +18.0% vs. 1Q15) and the Fixed Services segment (+\$98 or +33.4% vs. 1Q15).

- **Financial results, net**

Net financial results resulted in a net loss of \$557, representing an increase of \$468 vs. 1Q15. The higher loss was mainly due to higher net foreign currency exchange losses (+\$355 vs. 1Q15) and higher interests on loans (+\$268 vs. 1Q15), partially offset by higher interests on



receivables (+\$22 vs. 1Q15) and higher investments results (+\$159 vs. 1Q15).

- **Net income**

Telecom Argentina reached a net income of \$935 in 1Q16, -\$106 or -10.2% as compared to 1Q15, representing 7.5% of the consolidated revenues in 1Q16 (vs. 11.7% in 1Q15). Net income attributable to Telecom Argentina amounted to \$925 in 1Q16, -\$103 or -10.0% as compared to 1Q15.

- **Net financial debt**

As of March 31, 2016, consolidated net financial debt (Cash and Cash Equivalents plus financial investments minus financial debt) amounted to \$3,294, showing a decrease of \$3,815 as compared to the consolidated net financial asset as of March 31, 2015 (amounting to \$521). This variation was mainly due to a decrease in the generation of cash from operating activities of the Telecom Group, mainly by higher CAPEX which include the remaining acquisition of the 4G licenses amounting to \$2,256 in June 2015-, higher income tax payments and cash dividends paid to its shareholders. As of March 31, 2016, the Fixed Services segment has a net financial debt of \$198, the Personal Mobile Services segment has a net financial debt of \$2,566 and the Núcleo Mobile Services segment has a net financial debt of \$530.

- **Capital expenditures (CAPEX)**

CAPEX composition for 1Q16 and 1Q15 is as follows:

|                          | In millions of \$ |            | % of participation |             | Variation    |             |
|--------------------------|-------------------|------------|--------------------|-------------|--------------|-------------|
|                          | 1Q16              | 1Q15       | 1Q16               | 1Q15        | \$           | %           |
| Fixed Services           | 582               | 336        | 31%                | 39%         | 246          | 73%         |
| Personal Mobile Services | 1,194             | 469        | 63%                | 54%         | 725          | 155%        |
| Núcleo Mobile Services   | 126               | 59         | 7%                 | 7%          | 67           | 114%        |
| <b>Total CAPEX</b>       | <b>1,902</b>      | <b>864</b> | <b>100%</b>        | <b>100%</b> | <b>1,038</b> | <b>120%</b> |

Table of Contents

PP&E CAPEX amounted to \$1,472 and intangible assets CAPEX amounted to \$430 in 1Q16, while in 1Q15 amounted to \$623 and \$241, respectively.

In relative terms, CAPEX represented 15.3% of consolidated revenues in 1Q16 (9.7% in 1Q15), and were intended mainly for the external wiring and network access equipment, to the initial deployment of the new 4G network, transmission and switching equipment, computer equipment and SAC.

PP&E and intangible assets additions (CAPEX plus materials additions) for 1Q16 and 1Q15 are as follows:

|                          | In millions of \$ |            | % of participation |             | Variation    |             |
|--------------------------|-------------------|------------|--------------------|-------------|--------------|-------------|
|                          | 1Q16              | 1Q15       | 1Q16               | 1Q15        | \$           | %           |
| Fixed Services           | 833               | 404        | 35%                | 40%         | 429          | 106%        |
| Personal Mobile Services | 1,313             | 522        | 56%                | 53%         | 791          | 152%        |
| Núcleo Mobile Services   | 217               | 68         | 9%                 | 7%          | 149          | 219%        |
| <b>Total additions</b>   | <b>2,363</b>      | <b>994</b> | <b>100%</b>        | <b>100%</b> | <b>1,369</b> | <b>138%</b> |

Main PP&E CAPEX projects are related to the expansion of fixed broadband services in order to improve transmission and speed offered to customers; deployment of 3G and 4G services to support the growth of mobile Internet, improvement of the quality service together with the launch of innovative VAS services and the expansion of transmission and transport networks to meet the growing demand of services of our fixed and mobile customers.

### 3. *Summary of comparative consolidated statements of financial position*

|                                                                   | 2016          | 2015          | March 31,<br>2014 | 2013          | 2012          |
|-------------------------------------------------------------------|---------------|---------------|-------------------|---------------|---------------|
| Current assets                                                    | 12,599        | 7,094         | 9,408             | 7,486         | 5,826         |
| Non-current assets                                                | 28,244        | 19,877        | 14,555            | 11,126        | 9,989         |
| <b>Total assets</b>                                               | <b>40,843</b> | <b>26,971</b> | <b>23,963</b>     | <b>18,612</b> | <b>15,815</b> |
| Current liabilities                                               | 18,163        | 8,405         | 8,814             | 5,830         | 5,259         |
| Non-current liabilities                                           | 3,946         | 2,777         | 2,038             | 1,781         | 1,681         |
| <b>Total liabilities</b>                                          | <b>22,109</b> | <b>11,182</b> | <b>10,852</b>     | <b>7,611</b>  | <b>6,940</b>  |
| Equity attributable to Telecom Argentina<br>(Controlling Company) | 18,241        | 15,446        | 12,806            | 10,801        | 8,736         |
| Equity attributable non-controlling interest                      | 493           | 343           | 305               | 200           | 139           |
| <b>Total Equity</b>                                               | <b>18,734</b> | <b>15,789</b> | <b>13,111</b>     | <b>11,001</b> | <b>8,875</b>  |
| <b>Total liabilities and equity</b>                               | <b>40,843</b> | <b>26,971</b> | <b>23,963</b>     | <b>18,612</b> | <b>15,815</b> |

### 4. *Summary of comparative consolidated income statements*

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|                                                         | 1Q16         | 1Q15         | 1Q14         | 1Q13         | 1Q12         |
|---------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenues and other income                               | 12,466       | 8,879        | 7,476        | 6,073        | 5,130        |
| Operating costs                                         | (10,469)     | (7,199)      | (6,099)      | (4,958)      | (4,097)      |
| <b>Operating income</b>                                 | <b>1,997</b> | <b>1,680</b> | <b>1,377</b> | <b>1,115</b> | <b>1,033</b> |
| Financial results, net                                  | (557)        | (89)         | (32)         | 135          | 61           |
| <b>Income before income tax expense</b>                 | <b>1,440</b> | <b>1,591</b> | <b>1,345</b> | <b>1,250</b> | <b>1,094</b> |
| Income tax expense                                      | (505)        | (550)        | (439)        | (437)        | (386)        |
| <b>Net income</b>                                       | <b>935</b>   | <b>1,041</b> | <b>906</b>   | <b>813</b>   | <b>708</b>   |
| Other comprehensive income, net of tax                  | 189          |              | 206          | 63           | 25           |
| <b>Total comprehensive income</b>                       | <b>1,124</b> | <b>1,041</b> | <b>1,112</b> | <b>876</b>   | <b>733</b>   |
| Attributable to Telecom Argentina (Controlling Company) | 1,047        | 1,028        | 1,023        | 842          | 715          |
| Attributable to non-controlling interest                | 77           | 13           | 89           | 34           | 18           |

VII

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Table of Contents5. *Statistical data (in physical units)*• *Fixed services**Voice and data services (in thousands, except for lines in service per inhabitants and employees)*

|                                          | 1Q16        |         | 1Q15        |         | 1Q14         |          | 1Q13         |           | 1Q12         |             |
|------------------------------------------|-------------|---------|-------------|---------|--------------|----------|--------------|-----------|--------------|-------------|
|                                          | Accumulated | Quarter | Accumulated | Quarter | Accumulated  | Quarter  | Accumulated  | Quarter   | Accumulated  | Quarter     |
| Equipment lines                          | 3,551       |         | 3,551       | 13      | 3,528        | (8)      | 3,808        | 2         | 3,800        | 3           |
| NGN lines                                | 1,366       | 14      | 1,277       | 52      | 1,176        | 12       | 1,092        | 47        | 955          | (41)        |
| Installed lines (a)                      | 4,917       | 14      | 4,828       | 65      | <b>4,704</b> | <b>4</b> | <b>4,900</b> | <b>49</b> | <b>4,755</b> | <b>(38)</b> |
| Lines in service (b)                     | 4,010       | (33)    | 4,077       | (16)    | 4,108        | (16)     | 4,109        | (19)      | 4,138        | (3)         |
| Customers lines (c)                      | 3,937       | (32)    | 4,001       | (15)    | 4,028        | (16)     | 4,027        | (18)      | 4,054        | (3)         |
| Public phones installed                  | 26          | (1)     | 29          | (1)     | 33           | (1)      | 36           | (1)       | 39           | (1)         |
| Lines in service per 100 inhabitants (d) | 19          |         | 19          |         | 20           | 1        | 20           |           | 21           | 1           |
| Lines in service per employee (e)        | 365         | (6)     | 370         |         | 373          | (2)      | 371          | 1         | 370          | (3)         |

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

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

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

(d) Corresponding to the Northern Region of Argentina.

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

*Internet (in thousands)*

|  | 1Q16        |         | 1Q15        |         | 1Q14        |         | 1Q13        |         | 1Q12        |         |
|--|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
|  | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |

|                               |              |            |              |            |              |          |              |            |              |           |
|-------------------------------|--------------|------------|--------------|------------|--------------|----------|--------------|------------|--------------|-----------|
| <b>Total ADSL subscribers</b> | <b>1,809</b> | <b>(5)</b> | <b>1,768</b> | <b>(3)</b> | <b>1,714</b> | <b>7</b> | <b>1,626</b> | <b>(3)</b> | <b>1,566</b> | <b>16</b> |
|-------------------------------|--------------|------------|--------------|------------|--------------|----------|--------------|------------|--------------|-----------|

- **Mobile services**

*Personal (in thousands, except for subscriber per employee disclosed in units)*

|                           | 1Q16          |          | 1Q15          |              | 1Q14          |              | 1Q13          |            | 1Q12          |            |
|---------------------------|---------------|----------|---------------|--------------|---------------|--------------|---------------|------------|---------------|------------|
|                           | Accumulated   | Quarter  | Accumulated   | Quarter      | Accumulated   | Quarter      | Accumulated   | Quarter    | Accumulated   | Quarter    |
| Post-paid subscribers (i) | 2,132         | (3)      | 2,033         | (122)        | 2,365         | (52)         | 2,415         | 29         | 2,226         | 48         |
| Cuentas claras plans (i)  | 4,275         | 59       | 3,938         | (55)         | 3,856         | (23)         | 3,583         | 106        | 3,176         | 37         |
| Prepaid subscribers (ii)  | 13,140        | (48)     | 13,217        | (45)         | 13,461        | (79)         | 12,763        | 43         | 12,672        | 258        |
| Dongles (iii)             | 117           |          | 144           | (31)         | 231           | (21)         | 353           | (39)       | 473           | 11         |
| <b>Total subscribers</b>  | <b>19,664</b> | <b>8</b> | <b>19,332</b> | <b>(253)</b> | <b>19,913</b> | <b>(175)</b> | <b>19,114</b> | <b>139</b> | <b>18,547</b> | <b>354</b> |
| <b>Lines per employee</b> | <b>4,025</b>  |          | <b>3,909</b>  |              | <b>3,911</b>  |              | <b>3,642</b>  |            | <b>3,734</b>  |            |

(i) Lines which are paid through customer billing.

(ii) Prepaid lines which were refilled at least once in the last 13 months.

(iii) Corresponds to mobile Internet subscribers with post-paid, Cuentas claras, and prepaid contracts.

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

|                              | 1Q16         |           | 1Q15         |           | 1Q14         |            | 1Q13         |           | 1Q12         |           |
|------------------------------|--------------|-----------|--------------|-----------|--------------|------------|--------------|-----------|--------------|-----------|
|                              | Accumulated  | Quarter   | Accumulated  | Quarter   | Accumulated  | Quarter    | Accumulated  | Quarter   | Accumulated  | Quarter   |
| Post-paid subscribers (i)    | 27           | (1)       | 28           | (1)       | 28           | (1)        | 29           | (1)       | 30           | 1         |
| Plan control subscribers (i) | 393          | 17        | 332          | 13        | 304          | 7          | 270          | 9         | 227          | 7         |
| Prepaid subscribers (ii)     | 2,045        | 19        | 2,021        | 22        | 1,929        | (7)        | 1,888        | 16        | 1,829        | 37        |
| Dongles (iii)                | 95           | (15)      | 123          | (6)       | 147          | (6)        | 142          | 10        | 110          | 10        |
|                              | <b>2,560</b> | <b>20</b> | <b>2,504</b> | <b>28</b> | <b>2,408</b> | <b>(7)</b> | <b>2,329</b> | <b>34</b> | <b>2,196</b> | <b>55</b> |

|                                |              |              |              |              |              |            |              |           |              |           |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|-----------|--------------|-----------|
| <b>Subtotal mobile</b>         |              |              |              |              |              |            |              |           |              |           |
| Internet subscribers - Wimax   | 6            | 5            | 5            | 6            | 7            | (1)        |              |           |              |           |
| <b>Total subscribers</b>       | <b>2,566</b> | <b>20</b>    | <b>2,509</b> | <b>28</b>    | <b>2,413</b> | <b>(7)</b> | <b>2,335</b> | <b>34</b> | <b>2,203</b> | <b>54</b> |
| <b>Lines per employee (iv)</b> | <b>6,244</b> | <b>6,229</b> | <b>5,761</b> | <b>5,354</b> | <b>5,119</b> |            |              |           |              |           |

- 
- (i) Lines which are paid through customer billing.
  - (ii) Prepaid lines which were refilled at least once in the last 13 months.
  - (iii) Corresponds to mobile Internet subscribers with post-paid, Plan control and prepaid contracts.
  - (iv) Internet Wimax subscribers are not included.

Table of Contents**6. Consolidated ratios**

|                       | 1Q16 | 1Q15 | 1Q14 | 1Q13 | 1Q12 |
|-----------------------|------|------|------|------|------|
| Liquidity (1)         | 0.69 | 0.84 | 1.07 | 1.28 | 1.11 |
| Solvency (2)          | 0.85 | 1.41 | 1.21 | 1.45 | 1.28 |
| Locked-up capital (3) | 0.69 | 0.74 | 0.61 | 0.60 | 0.63 |

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(1) Current assets/Current liabilities.

(2) Total equity/Total liabilities.

(3) Non-current assets/Total assets.

**7. Outlook**

A new political, economic and regulatory environment for the telecommunications industry is being developed in 2016. Activity levels will continue depending on the country's macroeconomic situation and, in particular, on the purchasing power and levels of consumption of our customers. We are aware that in the first half of 2016 readjustments in prices of many goods and services are being implemented as a result of their adaptation to changes in the US dollar exchange rate, after certain exchange restrictions were eliminated and the subsidy policy of several public services was reduced. However, a deceleration of the inflation rate and a reactivation of the economic activity are expected during the second half of 2016.

We are confident that our products and services demand will remain at fair levels, especially those related to the fixed and mobile Internet usage, taking into account the innovative offerings that the Telecom Group is planning to launch in the market.

The fixed telephony evolution will continue in line with the trend in recent years, influenced by the maturity of the market. The steadily deploying of the Ultra-Broadband will continue for Broadband, with new technologies replacing copper with optical fiber in different points of the network. During 2016, the Company expects to add 4,000 kilometers of optical fiber to the existing 22,000 kilometers, expanding the network capacity throughout the country, granting more speed and security to our customers' consumption. The Company will continue providing convergent solutions to the corporate segment with a portfolio that provides customers next-generation Datacenter services.

To maximize business, Personal will continue to focus on the quality of service, innovation and the deployment of the LTE/4G network at national level. Personal will also continue to work on optimizing the customers' experience to offer the best User experience, improving the coverage and speed of the network. 3G technology will also be expanded with new frequencies and more investment, thus continuing with the technological conversion and capacity enlargement of the network. This infrastructure improvement comes together with the evolution of the Data Centric offering in line with the evolution of the mobile market and the new business model that requires evolution and simplification.

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Customer service quality will continue to focus mainly on the efficiency of channels and segmentation of the service customer with a customer-centric vision. The self-management channel will also continue to be encouraged (promoting the use of social networks), in order to simplify more and more the customers' management and control over their lines.

Operational excellence will remain a goal to aim a better use of the physical, human and technological resources of the Group so as to continue meeting profitability expectations of our stakeholders without neglecting the business profitability.

The strategy implemented by the Company's Management, renewed with the incorporation of a new indirect controlling shareholder and its management team, will procure to lead the convergent connectivity of people, homes and companies. The Telecom Group believes that this goal will be achieved by placing customers and their experience in the core of the operation, developing an innovative offering, establishing an agile and excellent organization, strengthening the employees' satisfaction and commitment, implementing a major investment plan and reaffirming day by day its commitment to the country and its people.

**Mariano Ibáñez**  
**Chairman of the Board of Directors**

IX

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Table of Contents**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(In millions of Argentine pesos)

|                                                                                                   | Note | March 31,<br>2016 | December 31,<br>2015 |
|---------------------------------------------------------------------------------------------------|------|-------------------|----------------------|
| <b>ASSETS</b>                                                                                     |      |                   |                      |
| <b>Current Assets</b>                                                                             |      |                   |                      |
| Cash and cash equivalents                                                                         | 2    | 657               | 870                  |
| Investments                                                                                       | 2    | 827               | 1,430                |
| Trade receivables                                                                                 | 2    | 6,934             | 5,663                |
| Other receivables                                                                                 | 2    | 1,378             | 1,336                |
| Inventories                                                                                       | 2    | 2,803             | 2,193                |
| <b>Total current assets</b>                                                                       |      | <b>12,599</b>     | <b>11,492</b>        |
| <b>Non-Current Assets</b>                                                                         |      |                   |                      |
| Trade receivables                                                                                 | 2    | 677               | 481                  |
| Income tax assets                                                                                 | 2    | 308               | 265                  |
| Other receivables                                                                                 | 2    | 327               | 272                  |
| Investments                                                                                       | 2    | 146               | 333                  |
| Property, plant and equipment ( PP&E )                                                            | 2    | 19,126            | 17,963               |
| Intangible assets                                                                                 | 2    | 7,660             | 7,659                |
| <b>Total non-current assets</b>                                                                   |      | <b>28,244</b>     | <b>26,973</b>        |
| <b>TOTAL ASSETS</b>                                                                               |      | <b>40,843</b>     | <b>38,465</b>        |
| <b>LIABILITIES</b>                                                                                |      |                   |                      |
| <b>Current Liabilities</b>                                                                        |      |                   |                      |
| Trade payables                                                                                    | 2    | 11,259            | 9,873                |
| Deferred revenues                                                                                 | 2    | 411               | 477                  |
| Financial debt                                                                                    | 2    | 3,412             | 3,451                |
| Salaries and social security payables                                                             | 2    | 1,237             | 1,261                |
| Income tax payables                                                                               | 2    | 713               | 439                  |
| Other taxes payables                                                                              | 2    | 850               | 1,153                |
| Other liabilities                                                                                 | 2    | 54                | 53                   |
| Provisions                                                                                        | 6    | 227               | 207                  |
| <b>Total current liabilities</b>                                                                  |      | <b>18,163</b>     | <b>16,914</b>        |
| <b>Non-Current Liabilities</b>                                                                    |      |                   |                      |
| Trade payables                                                                                    | 2    | 52                | 52                   |
| Deferred revenues                                                                                 | 2    | 449               | 457                  |
| Financial debt                                                                                    | 2    | 1,511             | 1,449                |
| Salaries and social security payables                                                             | 2    | 155               | 157                  |
| Deferred income tax liabilities                                                                   | 2    | 462               | 550                  |
| Income tax payables                                                                               | 2    | 9                 | 10                   |
| Other liabilities                                                                                 | 2    | 114               | 101                  |
| Provisions                                                                                        | 6    | 1,194             | 1,165                |
| <b>Total non-current liabilities</b>                                                              |      | <b>3,946</b>      | <b>3,941</b>         |
| <b>TOTAL LIABILITIES</b>                                                                          |      | <b>22,109</b>     | <b>20,855</b>        |
| <b>EQUITY</b>                                                                                     |      |                   |                      |
| Equity attributable to Telecom Argentina (Controlling Company)                                    |      | 18,241            | 17,194               |
| Equity attributable to non-controlling interest                                                   |      | 493               | 416                  |
| <b>TOTAL EQUITY</b> (see <i>Unaudited Condensed Consolidated Statement of Changes in Equity</i> ) | 7    | <b>18,734</b>     | <b>17,610</b>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                               |      | <b>40,843</b>     | <b>38,465</b>        |

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

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

**Mariano Ibáñez**  
**Chairman of the Board of Directors**

Table of Contents**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

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

|                                                                               | Note       | Three-month periods<br>ended March 31, |              |
|-------------------------------------------------------------------------------|------------|----------------------------------------|--------------|
|                                                                               |            | 2016                                   | 2015         |
| Revenues                                                                      | 2          | 12,455                                 | 8,872        |
| Other income                                                                  | 2          | 11                                     | 7            |
| <b>Total revenues and other income</b>                                        |            | <b>12,466</b>                          | <b>8,879</b> |
| Employee benefit expenses and severance payments                              | 2          | (2,174)                                | (1,543)      |
| Interconnection costs and other telecommunication charges                     | 2          | (707)                                  | (500)        |
| Fees for services, maintenance, materials and supplies                        | 2          | (1,093)                                | (889)        |
| Taxes and fees with the Regulatory Authority                                  | 2          | (1,208)                                | (873)        |
| Commissions                                                                   | 2          | (890)                                  | (623)        |
| Cost of equipments and handsets                                               | 2          | (1,499)                                | (640)        |
| Advertising                                                                   | 2          | (192)                                  | (191)        |
| Cost of VAS                                                                   | 2          | (390)                                  | (293)        |
| Provisions                                                                    | 6          | (14)                                   | (93)         |
| Bad debt expenses                                                             | 2          | (255)                                  | (183)        |
| Other operating expenses                                                      | 2          | (650)                                  | (417)        |
| Depreciation and amortization                                                 | 2          | (1,375)                                | (957)        |
| Gain on disposal of PP&E and impairment of PP&E                               | 2          | (22)                                   | 3            |
| <b>Operating income</b>                                                       |            | <b>1,997</b>                           | <b>1,680</b> |
| Finance income                                                                | 2          | 366                                    | 105          |
| Finance expenses                                                              | 2          | (923)                                  | (194)        |
| <b>Income before income tax expense</b>                                       |            | <b>1,440</b>                           | <b>1,591</b> |
| Income tax expense                                                            | 2          | (505)                                  | (550)        |
| <b>Net income for the period</b>                                              |            | <b>935</b>                             | <b>1,041</b> |
| <b>Attributable to:</b>                                                       |            |                                        |              |
| Telecom Argentina (Controlling Company)                                       |            | 925                                    | 1,028        |
| Non-controlling interest                                                      |            | 10                                     | 13           |
|                                                                               |            | <b>935</b>                             | <b>1,041</b> |
| <b>Earnings per share attributable to Telecom Argentina basic and diluted</b> | <b>1.d</b> | <b>0.95</b>                            | <b>1.06</b>  |

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

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

**Mariano Ibáñez**  
**Chairman of the Board of Directors**

Table of Contents**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Argentine pesos)

|                                                                   | Three-month periods<br>ended March 31, |              |
|-------------------------------------------------------------------|----------------------------------------|--------------|
|                                                                   | 2016                                   | 2015         |
| <b>Net income for the period</b>                                  | <b>935</b>                             | <b>1,041</b> |
| <b>Other components of the Statements of Comprehensive Income</b> |                                        |              |
| Currency translation adjustments (non-taxable)                    | 196                                    |              |
| Subsidiaries NDF effects classified as hedges                     | (7)                                    |              |
| <b>Other components of the comprehensive income, net of tax</b>   | <b>189</b>                             |              |
| <b>Total comprehensive income for the period</b>                  | <b>1,124</b>                           | <b>1,041</b> |
| <b>Attributable to:</b>                                           |                                        |              |
| Telecom Argentina (Controlling Company)                           | 1,047                                  | 1,028        |
| Non-controlling interest                                          | 77                                     | 13           |
|                                                                   | <b>1,124</b>                           | <b>1,041</b> |

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

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

**Mariano Ibáñez**  
**Chairman of the Board of Directors**

Table of Contents**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Argentine pesos)

|                                       | Equity attributable to Telecom Argentina (Controlling Company) |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            | Total        |                            |                   |
|---------------------------------------|----------------------------------------------------------------|----------------------|-----------------------|----------------------|----------------------------------|-----------------|---------------------------------|-----------------------------------|----------------------------------|------------------------------------|------------|--------------|----------------------------|-------------------|
|                                       | Outstanding shares                                             |                      | Owners Contribution   |                      |                                  | Treasury shares |                                 | Reserves                          |                                  |                                    |            |              | Other comprehensive income | Retained earnings |
|                                       | Capital nominal value                                          | Inflation adjustment | Capital nominal value | Inflation adjustment | Treasury shares acquisition cost | Legal           | Special for IFRS implementation | Voluntary for capital investments | Voluntary for future investments | For future cash dividends payments |            |              |                            |                   |
|                                       | (1)                                                            | (2)                  | (1)                   | (2)                  | (2)                              |                 |                                 | (2)                               |                                  |                                    |            |              |                            |                   |
| <b>Balances as of January 1, 2015</b> | <b>969</b>                                                     | <b>2,646</b>         | <b>15</b>             | <b>42</b>            | <b>(461)</b>                     | <b>734</b>      | <b>351</b>                      | <b>3,191</b>                      | <b>2,904</b>                     |                                    | <b>354</b> | <b>3,673</b> |                            |                   |
| Dividends from Núcleo (3)             |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            |              |                            |                   |
| <b>Comprehensive income:</b>          |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            |              |                            |                   |
| Net income for the period             |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            |              | 1,028                      | 1                 |
| Other comprehensive income            |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            |              |                            |                   |
| <b>Total Comprehensive Income</b>     |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            |              | <b>1,028</b>               | <b>1</b>          |
| <b>Balances as of March 31, 2015</b>  | <b>969</b>                                                     | <b>2,646</b>         | <b>15</b>             | <b>42</b>            | <b>(461)</b>                     | <b>734</b>      | <b>351</b>                      | <b>3,191</b>                      | <b>2,904</b>                     |                                    | <b>354</b> | <b>4,701</b> | <b>15</b>                  |                   |
| <b>Balances as of January 1, 2016</b> | <b>969</b>                                                     | <b>2,646</b>         | <b>15</b>             | <b>42</b>            | <b>(461)</b>                     | <b>734</b>      | <b>351</b>                      | <b>3,191</b>                      | <b>2,904</b>                     | <b>2,869</b>                       | <b>531</b> | <b>3,403</b> | <b>17</b>                  |                   |
| <b>Comprehensive income:</b>          |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            |              |                            |                   |
| Net income for the period             |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            |              | 925                        |                   |
| Other comprehensive income            |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    |            | 122          |                            |                   |
| <b>Total Comprehensive Income</b>     |                                                                |                      |                       |                      |                                  |                 |                                 |                                   |                                  |                                    | <b>122</b> | <b>925</b>   | <b>1</b>                   |                   |
| <b>Balances as of March 31, 2016</b>  | <b>969</b>                                                     | <b>2,646</b>         | <b>15</b>             | <b>42</b>            | <b>(461)</b>                     | <b>734</b>      | <b>351</b>                      | <b>3,191</b>                      | <b>2,904</b>                     | <b>2,869</b>                       | <b>653</b> | <b>4,328</b> | <b>18</b>                  |                   |

(1) As of March 31, 2016 and 2015, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of the same dates, 15,221,373 were treasury shares.

(2) Corresponds to 15,221,373 shares of \$1 Argentine peso of nominal value each, equivalent to 1.55% of total capital. The treasury shares acquisition costs amounted to 461. See Note 7 Equity to the consolidated financial statements.

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(3) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 26, 2015.

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

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

**Mariano Ibáñez**  
**Chairman of the Board of**  
**Directors**

Table of Contents**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of Argentine pesos)

|                                                                                               | Note     | Three-month periods<br>ended March 31, |                |
|-----------------------------------------------------------------------------------------------|----------|----------------------------------------|----------------|
|                                                                                               |          | 2016                                   | 2015           |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                            |          |                                        |                |
| Net income for the period                                                                     |          | 935                                    | 1,041          |
| <b>Adjustments to reconcile net income to net cash flows provided by operating activities</b> |          |                                        |                |
| Bad debt expenses                                                                             |          | 255                                    | 183            |
| Allowance for obsolescence of inventories, materials and other deducted from assets           |          | 22                                     | 12             |
| Depreciation of PP&E                                                                          | 2        | 933                                    | 677            |
| Amortization of intangible assets                                                             | 2        | 442                                    | 280            |
| Consumption of materials                                                                      | 2        | 94                                     | 68             |
| Gain on disposal of PP&E and impairment of PP&E                                               | 2        | 22                                     | (3)            |
| Net book value of disposals of PP&E                                                           |          | 7                                      | 1              |
| Provisions                                                                                    | 6        | 14                                     | 93             |
| Other financial losses                                                                        |          | 232                                    | 72             |
| Income tax expense                                                                            | 2        | 505                                    | 550            |
| Income tax paid                                                                               | 3        | (414)                                  | (352)          |
| Net increase in assets                                                                        | 3        | (2,366)                                | (385)          |
| Net increase (decrease) in liabilities                                                        | 3        | 754                                    | (1,081)        |
| <b>Total cash flows provided by operating activities</b>                                      | <b>3</b> | <b>1,435</b>                           | <b>1,156</b>   |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                            |          |                                        |                |
| PP&E acquisitions                                                                             | 3        | (1,768)                                | (1,089)        |
| Intangible assets acquisitions                                                                | 3        | (443)                                  | (264)          |
| Proceeds from the sale of PP&E                                                                |          | 9                                      | 5              |
| Investments not considered as cash and cash equivalents                                       | 3        | 951                                    | (13)           |
| <b>Total cash flows used in investing activities</b>                                          |          | <b>(1,251)</b>                         | <b>(1,361)</b> |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>                                            |          |                                        |                |
| Proceeds from financial debt                                                                  | 3        | 1,328                                  | 353            |
| Payment of financial debt                                                                     | 3        | (1,421)                                | (9)            |
| Payment of interest and related expenses                                                      | 3        | (351)                                  | (53)           |
| Payment of cash dividends and related withholding tax                                         |          | (1)                                    |                |
| <b>Total cash flows provided by (used in) financing activities</b>                            |          | <b>(445)</b>                           | <b>291</b>     |
| <b><u>NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</u></b>                   |          |                                        |                |
|                                                                                               |          | <b>48</b>                              | <b>5</b>       |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                       |          | <b>(213)</b>                           | <b>91</b>      |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                                 |          | <b>870</b>                             | <b>684</b>     |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                     |          | <b>657</b>                             | <b>775</b>     |

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

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

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

**Mariano Ibáñez**  
**Chairman of the Board of Directors**



Table of Contents

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2016 AND 2015**

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

**INDEX**

|                                                                                                                                              | <b>Page</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <u>Glossary of terms</u>                                                                                                                     | 7           |
| <b><u>Notes to the unaudited condensed consolidated financial statements</u></b>                                                             |             |
| <b><u>1</u></b> <u>Basis of preparation of the unaudited condensed consolidated financial statements and significant accounting policies</u> | <b>9</b>    |
| <b><u>2</u></b> <u>Breakdown of the main accounts</u>                                                                                        | <b>10</b>   |
| <b><u>3</u></b> <u>Supplementary cash flow information</u>                                                                                   | <b>22</b>   |
| <b><u>4</u></b> <u>Segment information</u>                                                                                                   | <b>24</b>   |
| <b><u>5</u></b> <u>Related party balances and transactions</u>                                                                               | <b>27</b>   |
| <b><u>6</u></b> <u>Commitments and contingencies of the Telecom Group</u>                                                                    | <b>30</b>   |
| <b><u>7</u></b> <u>Equity</u>                                                                                                                | <b>31</b>   |
| <b><u>8</u></b> <u>Restrictions on distribution of profits</u>                                                                               | <b>32</b>   |
| <b><u>9</u></b> <u>Selected consolidated quarterly information</u>                                                                           | <b>32</b>   |
| <b><u>10</u></b> <u>Recent developments corresponding to the three-month period ended March 31, 2016 for the Telecom Group</u>               | <b>32</b>   |
| <b><u>11</u></b> <u>Subsequent events to March 31, 2016</u>                                                                                  | <b>34</b>   |

Table of Contents

**GLOSSARY OF TERMS**

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

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

*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.

*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.

*BCBA (Bolsa de Comercio de Buenos Aires)*: The Buenos Aires Stock Exchange.

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

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

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

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

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

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

*CPP:* Calling Party Pays. These are the charges related to fixed telephony customer's calls to mobile subscribers.

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

*D&A:* Depreciation and amortization.

*DLD:* Domestic long-distance.

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

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

*Fintech:* Fintech Telecom LLC, Sofora's controlling company.

*IAS:* International Accounting Standards.

*IASB:* International Accounting Standards Board.

*IDC (Impuesto a los débitos y créditos bancarios):* Tax on deposits to and withdrawals from bank accounts.

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

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

*LAD (Ley Argentina Digital):* Argentine Digital Law.

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

*Micro Sistemas:* Micro Sistemas S.A.

*NDF:* Non-Deliverable Forward.

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

Table of Contents

*Núcleo*: Núcleo S.A.

*NYSE*: New York Stock Exchange.

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

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

*Personal*: Telecom Personal S.A.

*Personal Envíos*: Personal Envíos S.A.

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

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

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

*RT*: Technical resolutions issued by the FACPCE.

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

*SAC*: Subscriber Acquisition Costs.

*SBT (Servicio básico telefónico)*: Basic telephone service.

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

*SCM (Servicio de Comunicaciones Móviles)*: Mobile Communications Service.

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

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

*SMS*: Short message systems.

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

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

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

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

*Telecom Argentina*: Telecom Argentina S.A.

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

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

*Telecom USA:* Telecom Argentina USA Inc.

*Telefónica:* Telefónica de Argentina S.A.

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

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

Table of Contents**NOTE 1 BASIS OF PREPARATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES****a) Basis of preparation and significant accounting policies**

As required by the CNV for most of public companies, these consolidated financial statements have been prepared in accordance with RT 26 of FACPCE (as amended by RT 29) and in accordance with IFRS as issued by the IASB, as adopted by the CPCECABA.

For the preparation of these consolidated financial statements, the Company has elected to make use of the option provided by IAS 34, so, these consolidated financial statements do not include all the information required in an annual financial statement, and must be read jointly with the 2015 annual consolidated financial statements which can be consulted at the Company's website ([www.telecom.com.ar/inversores](http://www.telecom.com.ar/inversores)).

As of March 31, 2016, entities included in the consolidation process and the respective equity interest owned by Telecom Argentina is presented as follows:

| Subsidiaries          | Percentage of capital stock owned and voting rights (i) | Indirect control through | Date of acquisition | Segment that consolidates (Note 4) |
|-----------------------|---------------------------------------------------------|--------------------------|---------------------|------------------------------------|
| Telecom USA           | 100.00%                                                 |                          | 09.12.00            | Fixed Services                     |
| Micro Sistemas (ii)   | 99.99%                                                  |                          | 12.31.97            | Fixed Services                     |
| Personal              | 99.99%                                                  |                          | 07.06.94            | Personal Mobile Services           |
| Núcleo (iii)          | 67.50%                                                  | Personal                 | 02.03.98            | Núcleo Mobile Services             |
| Personal Envíos (iii) | 67.50%                                                  | Núcleo                   | 07.24.14            | Núcleo Mobile Services             |

- (i) Percentage of equity interest owned has been rounded.
- (ii) Dormant entity as of March 31, 2016 and December 31, 2015 and for the three-month periods ended March 31, 2016 and 2015.
- (iii) Non-controlling interest of 32.50% is owned by the Paraguayan company ABC Telecomunicaciones S.A.

For the preparation of these consolidated financial statements, the Company followed the same accounting policies applied in the most recent annual consolidated financial statements.

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



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

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

Publication of these consolidated financial statements for the period ended March 31, 2016 was approved by resolution of the Board of Directors meeting held on May 9, 2016.

b) **Financial statement formats**

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

- the consolidated statements of financial position have been prepared by classifying assets and liabilities according to current and non-current criterion. Current assets and liabilities are those that are expected to be realized within twelve months after the period-end;
- the consolidated income statements have been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Telecom Group as evaluated by the Management, and are in line with the industrial sector of telecommunications;

Table of Contents

- the consolidated statements of comprehensive income include the profit or (loss) for the period as shown in the consolidated income statement and all components of other comprehensive income;
- the consolidated statements of changes in equity have been prepared showing separately (i) profit (loss) for the period, (ii) other comprehensive income (loss) for the period, and (iii) transactions with shareholders (controlling and non-controlling);
- the consolidated statements of cash flows have been prepared by presenting cash flows from operating activities according to the indirect method, as permitted by IAS 7.

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

c) **Segment reporting**

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

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

Information regarding segment reporting is included in Note 4.

d) **Net income per share**

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

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For the three-month periods ended March 31, 2016 and 2015, the weighted average number of shares outstanding totaled 969,159,605 shares, respectively.

### NOTE 2 BREAKDOWN OF THE MAIN ACCOUNTS

| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION<br>CURRENT ASSETS              | March 31,<br>2016 | December 31,<br>2015 |
|------------------------------------------------------------------------------|-------------------|----------------------|
| <b>a) Cash and cash equivalents</b>                                          |                   |                      |
| Cash                                                                         | 35                | 25                   |
| Banks                                                                        | 294               | 231                  |
| Time deposits                                                                | 328               | 217                  |
| Other short-term investments                                                 | 657               | 870                  |
| <b>b) Investments</b>                                                        |                   |                      |
| Government bonds at fair value                                               | 675               | 616                  |
| Government bonds at fair value US dollar linked                              | 40                | 576                  |
| Government bonds at amortized cost US dollar linked                          |                   | 133                  |
| Provincial and Municipal government bonds at amortized cost US dollar linked |                   | 74                   |
| Provincial and Municipal government bonds at amortized cost                  | 112               | 31                   |
|                                                                              | <b>827</b>        | <b>1,430</b>         |

Table of Contents

|                                          | March 31,<br>2016 | December 31,<br>2015 |
|------------------------------------------|-------------------|----------------------|
| <b>c) Trade receivables</b>              |                   |                      |
| Fixed Services                           | 1,843             | 1,449                |
| Personal Mobile Services services sales  | 3,207             | 2,860                |
| Personal Mobile Services equipment sales | 2,128             | 1,558                |
| Núcleo Mobile Services                   | 242               | 182                  |
| <b>Subtotal</b>                          | <b>7,420</b>      | <b>6,049</b>         |
| Allowance for doubtful accounts          | (486)             | (386)                |
|                                          | <b>6,934</b>      | <b>5,663</b>         |

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

|                                     | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b> | <b>(386)</b>                    | <b>(292)</b>                    |
| Additions bad debt expenses         | (255)                           | (180)                           |
| Uses                                | 157                             | 111                             |
| Currency translation adjustments    | (2)                             |                                 |
| <b>At the end of the period</b>     | <b>(486)</b>                    | <b>(361)</b>                    |

|                                                    | March 31,<br>2016 | December 31,<br>2015 |
|----------------------------------------------------|-------------------|----------------------|
| <b>d) Other receivables</b>                        |                   |                      |
| Prepaid expenses                                   | 506               | 346                  |
| NDF                                                | 422               | 466                  |
| Tax credits                                        | 202               | 165                  |
| Expenses reimbursement                             | 90                | 95                   |
| Restricted funds                                   | 23                | 26                   |
| Tax on personal property on behalf of shareholders | 19                | 15                   |
| Receivables for return of handsets under warranty  | 7                 | 9                    |
| Guarantee deposits                                 | 6                 | 5                    |
| PP&E disposal receivables                          | 1                 | 26                   |
| Unionized employees advances                       |                   | 57                   |
| Prepaid expenses related parties (Note 5.c)        |                   | 36                   |
| Other                                              | 129               | 115                  |
| <b>Subtotal</b>                                    | <b>1,405</b>      | <b>1,361</b>         |
| Allowance for other receivables                    | (27)              | (25)                 |
|                                                    | <b>1,378</b>      | <b>1,336</b>         |

Movements in the allowance for other receivables are as follows:

|                                     | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b> | <b>(25)</b>                     | <b>(23)</b>                     |
| Additions                           | (2)                             | (*) (3)                         |
| <b>At the end of the period</b>     | <b>(27)</b>                     | <b>(26)</b>                     |

(\*) Included in Bad debt expenses as of March 31, 2015.

|                                           | March 31,<br>2016 | December 31,<br>2015 |
|-------------------------------------------|-------------------|----------------------|
| <b>e) Inventories</b>                     |                   |                      |
| Mobile handsets and other                 | 2,863             | 2,218                |
| Advances for mobile handsets acquisitions |                   | 47                   |
| Fixed telephones and equipment            | 30                | 14                   |
| <b>Subtotal</b>                           | <b>2,893</b>      | <b>2,279</b>         |
| Allowance for obsolescence of inventories | (90)              | (86)                 |
|                                           | <b>2,803</b>      | <b>2,193</b>         |

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

|                                                        | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|--------------------------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b>                    | <b>(86)</b>                     | <b>(73)</b>                     |
| Additions Fees for services, maintenance and materials | (17)                            | (5)                             |
| Uses                                                   | 13                              | 3                               |
| <b>At the end of the period</b>                        | <b>(90)</b>                     | <b>(75)</b>                     |

Table of Contents

Sale and cost of equipment and handsets by business segment is as follows:

|                                                                                       | Three-month periods<br>ended March 31, |              |
|---------------------------------------------------------------------------------------|----------------------------------------|--------------|
|                                                                                       | 2016                                   | 2015         |
|                                                                                       | Profit (loss)                          |              |
| Sales of equipment and handsets - Fixed Services                                      | 33                                     | 10           |
| Cost of equipment and handsets - Fixed Services                                       | (45)                                   | (19)         |
| <b>Total equipment loss - Fixed Services</b>                                          | <b>(12)</b>                            | <b>(9)</b>   |
| Sales of equipment and handsets - Personal Mobile Services                            | 1,957                                  | 881          |
| Cost of equipment and handsets - Personal Mobile Services (net of SAC capitalization) | (1,381)                                | (593)        |
| <b>Total equipment income - Personal Mobile Services</b>                              | <b>576</b>                             | <b>288</b>   |
| Sales of equipment and handsets - Núcleo Mobile Services                              | 60                                     | 22           |
| Cost of equipment and handsets - Núcleo Mobile Services (net of SAC capitalization)   | (73)                                   | (28)         |
| <b>Total equipment loss - Núcleo Mobile Services</b>                                  | <b>(13)</b>                            | <b>(6)</b>   |
| <b>Total equipment and handsets sale</b>                                              | <b>2,050</b>                           | <b>913</b>   |
| <b>Total cost of equipment and handsets (net of SAC capitalization)</b>               | <b>(1,499)</b>                         | <b>(640)</b> |
| <b>Total income for sale of equipment and handsets</b>                                | <b>551</b>                             | <b>273</b>   |

|                                                            | March 31,<br>2016 | December 31,<br>2015 |
|------------------------------------------------------------|-------------------|----------------------|
| <b>NON-CURRENT ASSETS</b>                                  |                   |                      |
| <b>f) Trade receivables</b>                                |                   |                      |
| Fixed Services                                             | 23                | 17                   |
| Personal Mobile Services - equipment sales                 | 432               | 300                  |
| Núcleo Mobile Services - equipment sales                   | 222               | 164                  |
|                                                            | <b>677</b>        | <b>481</b>           |
| <b>g) Other receivables</b>                                |                   |                      |
| Prepaid expenses                                           | 211               | 166                  |
| Credit on SC Resolution No. 41/07 and IDC                  | 84                | 84                   |
| Restricted funds                                           | 35                | 32                   |
| Regulatory receivables (Paraguay)                          | 26                | 22                   |
| Tax on personal property - on behalf of shareholders       | 18                | 18                   |
| Tax credits                                                | 12                | 12                   |
| Guarantee deposits                                         | 12                | 12                   |
| Other                                                      | 31                | 28                   |
|                                                            | <b>Subtotal</b>   | <b>374</b>           |
| Allowance for regulatory matters                           | (84)              | (84)                 |
| Allowance for doubtful accounts (tax on personal property) | (18)              | (18)                 |
|                                                            | <b>327</b>        | <b>272</b>           |

Movements in the allowance for regulatory matters are as follows:

|                                     | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b> | <b>(84)</b>                     | <b>(85)</b>                     |
| Uses                                |                                 | 1                               |
| <b>At the end of the period</b>     | <b>(84)</b>                     | <b>(84)</b>                     |

Movements in the allowance for doubtful accounts (tax on personal property) are as follows:

|                                     | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b> | <b>(18)</b>                     | <b>(18)</b>                     |
| Additions                           |                                 |                                 |
| <b>At the end of the period</b>     | <b>(18)</b>                     | <b>(18)</b>                     |

|                                                             | March 31,<br>2016 | December 31,<br>2015 |
|-------------------------------------------------------------|-------------------|----------------------|
| <b>h) Investments</b>                                       |                   |                      |
| Government bonds at amortized cost                          | 73                | 261                  |
| Provincial and municipal government bonds at amortized cost | 72                | 62                   |
| Tuves Paraguay S.A. shares purchase option                  |                   | 9                    |
| 2003 Telecommunications Fund                                | 1                 | 1                    |
|                                                             | <b>146</b>        | <b>333</b>           |

Table of Contents

|                                           | March 31,<br>2016 | December 31,<br>2015 |
|-------------------------------------------|-------------------|----------------------|
| <b>i) PP&amp;E</b>                        |                   |                      |
| Land, buildings and facilities            | 1,139             | 1,088                |
| Computer equipment and software           | 1,903             | 1,885                |
| Switching and transmission equipment (i)  | 4,439             | 4,368                |
| Mobile network access and external wiring | 6,168             | 5,643                |
| Construction in progress                  | 3,159             | 3,015                |
| Other tangible assets                     | 565               | 567                  |
| <b>Subtotal PP&amp;E</b>                  | <b>17,373</b>     | <b>16,566</b>        |
| Materials                                 | 2,034             | 1,652                |
| Valuation allowance for materials         | (54)              | (52)                 |
| Impairment of PP&E                        | (227)             | (203)                |
| <b>Total PP&amp;E</b>                     | <b>19,126</b>     | <b>17,963</b>        |

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

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

|                                     | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b> | <b>18,218</b>                   | <b>13,933</b>                   |
| CAPEX                               | 1,472                           | 623                             |
| Materials                           | 461                             | 130                             |
| <b>Total PP&amp;E additions</b>     | <b>1,933</b>                    | <b>753</b>                      |
| Currency translation adjustments    | 290                             | (3)                             |
| Consumption of materials            | (94)                            | (68)                            |
| Decrease                            | (7)                             | (1)                             |
| Depreciation of the period          | (933)                           | (677)                           |
| <b>At the end of the period</b>     | <b>19,407</b>                   | <b>13,937</b>                   |

Movements in the valuation allowance for materials are as follows:

|                                                           | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|-----------------------------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b>                       | <b>(52)</b>                     | <b>(24)</b>                     |
| Additions - Fees for services, maintenance, and materials | (4)                             | (4)                             |
| Uses                                                      | 2                               |                                 |
| <b>At the end of the period</b>                           | <b>(54)</b>                     | <b>(28)</b>                     |

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



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|                                     | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b> | <b>(203)</b>                    | <b>(100)</b>                    |
| Additions Impairment of PP&E        | (24)                            | (3)                             |
| <b>At the end of the period</b>     | <b>(227)</b>                    | <b>(103)</b>                    |

|                                          | March 31,<br>2016 | December 31,<br>2015 |
|------------------------------------------|-------------------|----------------------|
| <b>j) Intangible assets</b>              |                   |                      |
| SAC fixed services                       | 111               | 116                  |
| SAC mobile services                      | 1,260             | 1,156                |
| Service connection or habilitation costs | 108               | 107                  |
| 3G/4G licenses                           | 5,346             | 5,443                |
| PCS license                              | 589               | 588                  |
| Rights of use and exclusivity            | 245               | 248                  |
| Other intangible assets                  | 1                 | 1                    |
|                                          | <b>7,660</b>      | <b>7,659</b>         |

Table of Contents

Movements in Intangible assets are as follows:

|                                     | March 31,<br>2016<br>(3 months) | March 31,<br>2015<br>(3 months) |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>At the beginning of the year</b> | <b>7,659</b>                    | <b>5,331</b>                    |
| CAPEX                               | 430                             | 241                             |
| Currency translation adjustments    | 13                              |                                 |
| Amortization of the period          | (442)                           | (280)                           |
| <b>At the end of the period</b>     | <b>7,660</b>                    | <b>5,292</b>                    |

|                                                     | March 31,<br>2016 | December 31,<br>2015 |
|-----------------------------------------------------|-------------------|----------------------|
| <b>CURRENT LIABILITIES</b>                          |                   |                      |
| <b>k) Trade payables</b>                            |                   |                      |
| For the acquisition of PP&E                         | 5,412             | 5,022                |
| For the acquisition of other assets and services    | 3,183             | 2,991                |
| For the acquisition of inventory                    | 2,173             | 1,335                |
| <b>Subtotal suppliers</b>                           | <b>10,768</b>     | <b>9,348</b>         |
| Agent commissions                                   | 491               | 525                  |
|                                                     | <b>11,259</b>     | <b>9,873</b>         |
| <b>l) Deferred revenues</b>                         |                   |                      |
| On prepaid calling cards Fixed and Mobile services  | 247               | 312                  |
| On connection fees Fixed Services                   | 35                | 35                   |
| On international capacity rental                    | 44                | 47                   |
| On mobile customer loyalty programs                 | 79                | 78                   |
| From CONATEL Núcleo Mobile Services                 | 6                 | 5                    |
|                                                     | <b>411</b>        | <b>477</b>           |
| <b>m) Financial debt - Núcleo</b>                   |                   |                      |
| Bank overdrafts principal (Personal)                | 2,143             | 3,062                |
| Bank overdrafts principal (Telecom Argentina)       | 710               |                      |
| Bank overdrafts principal (Núcleo)                  | 115               | 84                   |
| Bank loans principal (Núcleo)                       | 366               | 193                  |
| Accrued interest (Personal)                         | 64                | 104                  |
| Accrued interest (Núcleo)                           | 8                 | 8                    |
| Accrued interest (Telecom Argentina)                | 6                 |                      |
|                                                     | <b>3,412</b>      | <b>3,451</b>         |
| <b>n) Salaries and social security payables</b>     |                   |                      |
| Annual complementary salaries, vacation and bonuses | 867               | 849                  |
| Social security payables                            | 289               | 324                  |
| Termination benefits                                | 81                | 88                   |
|                                                     | <b>1,237</b>      | <b>1,261</b>         |
| <b>o) Income tax payables</b>                       |                   |                      |
| Income tax payables 2015                            | 1,721             | 1,721                |
| Income tax payables 2016                            | 663               |                      |
| Income tax retentions and payments in advance       | (1,676)           | (1,287)              |
| Law No. 26,476 Tax Regularization Regime            | 5                 | 5                    |
|                                                     | <b>713</b>        | <b>439</b>           |
| <b>p) Other taxes payables</b>                      |                   |                      |
| VAT, net                                            | 250               | 452                  |
| Internal taxes                                      | 146               | 111                  |

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|                                                                     |            |              |
|---------------------------------------------------------------------|------------|--------------|
| Tax on SU                                                           | 105        | 91           |
| Tax withholdings                                                    | 96         | 201          |
| Regulatory fees                                                     | 88         | 74           |
| Turnover tax                                                        | 76         | 143          |
| Municipal taxes                                                     | 47         | 46           |
| Perception Decree No.583/10 ENARD                                   | 23         | 20           |
| Tax on personal property on behalf of shareholders                  | 19         | 15           |
|                                                                     | <b>850</b> | <b>1,153</b> |
| <b>q) Other liabilities</b>                                         |            |              |
| Compensation for directors and members of the Supervisory Committee | 32         | 30           |
| Guarantees received                                                 | 13         | 12           |
| Other                                                               | 9          | 11           |
|                                                                     | <b>54</b>  | <b>53</b>    |

Table of Contents

|                                                         | March 31,<br>2016 | December 31,<br>2015 |
|---------------------------------------------------------|-------------------|----------------------|
| <b>NON-CURRENT LIABILITIES</b>                          |                   |                      |
| <b>r) Trade payables</b>                                | 52                | 52                   |
| For the acquisition of PP&E                             | 52                | 52                   |
| <b>s) Deferred revenues</b>                             |                   |                      |
| On international capacity rental Fixed Services         | 281               | 290                  |
| On connection fees Fixed Services                       | 80                | 79                   |
| On mobile customer loyalty programs                     | 85                | 84                   |
| From CONATEL Núcleo Mobile Services                     | 3                 | 4                    |
|                                                         | <b>449</b>        | <b>457</b>           |
| <b>t) Financial debt - Núcleo</b>                       |                   |                      |
| Notes principal (Personal) (*)                          | 713               | 713                  |
| Bank loans principal (Personal)                         | 573               | 509                  |
| Bank loans principal (Núcleo)                           | 225               | 227                  |
|                                                         | <b>1,511</b>      | <b>1,449</b>         |
| (*) Net of 8 of debt issuance expenses in both periods. |                   |                      |
| <b>u) Salaries and social security payables</b>         |                   |                      |
| Termination benefits                                    | 107               | 117                  |
| Bonuses                                                 | 48                | 40                   |
|                                                         | <b>155</b>        | <b>157</b>           |
| <b>v) Income tax payables</b>                           |                   |                      |
| Law No. 26,476 Tax Regularization Regime                | 9                 | 10                   |
|                                                         | <b>9</b>          | <b>10</b>            |
| <b>w) Other liabilities</b>                             |                   |                      |
| Pension benefits                                        | 107               | 95                   |
| Legal fees                                              | 4                 | 4                    |
| Other                                                   | 3                 | 2                    |
|                                                         | <b>114</b>        | <b>101</b>           |

**x) Income tax assets and deferred income tax**

Telecom Group's income tax assets and deferred income tax asset and liability consist of the following:

| As of March 31, 2016             | Deferred tax assets  |           |                | Total      | Deferred tax liabilities |            |
|----------------------------------|----------------------|-----------|----------------|------------|--------------------------|------------|
|                                  | Telecom<br>Argentina | Núcleo    | Telecom<br>USA |            | Personal                 | Total      |
| Allowance for doubtful accounts  | 69                   | 6         | 1              | 76         | 197                      | 197        |
| Provisions                       | 312                  |           |                | 312        | 142                      | 142        |
| PP&E                             |                      | 17        |                | 17         |                          |            |
| Inventory                        |                      |           |                |            | 114                      | 114        |
| Termination benefits             | 61                   |           |                | 61         |                          |            |
| Deferred revenues                | 75                   |           |                | 75         |                          |            |
| Pension benefits                 | 38                   |           |                | 38         |                          |            |
| Other deferred tax assets, net   | 93                   |           |                | 93         |                          |            |
| <b>Total deferred tax assets</b> | <b>648</b>           | <b>23</b> | <b>1</b>       | <b>672</b> | <b>453</b>               | <b>453</b> |
| PP&E                             | (373)                |           |                | (373)      | (224)                    | (224)      |

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|                                                     |              |               |          |              |              |              |
|-----------------------------------------------------|--------------|---------------|----------|--------------|--------------|--------------|
| Intangible assets                                   | (84)         |               |          | (84)         | (511)        | (511)        |
| Cash dividends from foreign companies               |              | (5)           |          | (5)          | (**) (135)   | (135)        |
| Investments                                         |              |               |          |              | (9)          | (9)          |
| Other deferred tax liabilities, net                 |              |               |          |              | (36)         | (36)         |
| <b>Total deferred tax liabilities</b>               | <b>(457)</b> | <b>(5)</b>    |          | <b>(462)</b> | <b>(915)</b> | <b>(915)</b> |
| <b>Total deferred tax assets (liabilities), net</b> | <b>191</b>   | <b>18</b>     | <b>1</b> | <b>210</b>   | <b>(462)</b> | <b>(462)</b> |
| Action for recourse tax receivable year 2009        | <b>98</b>    |               |          | <b>98</b>    |              |              |
| <b>Total income tax assets</b>                      | <b>289</b>   | <b>(*) 18</b> | <b>1</b> | <b>308</b>   |              |              |

(\*) Includes (2) recorded in Other comprehensive income for the three-months period ended on March 31, 2016.

(\*\*) Includes (18) recorded in Other comprehensive income for the three-months period ended on March 31, 2016.

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Table of Contents

| As of December 31, 2015                             | Deferred tax assets |            |             | Deferred tax liabilities |              |              |
|-----------------------------------------------------|---------------------|------------|-------------|--------------------------|--------------|--------------|
|                                                     | Telecom Argentina   | Núcleo     | Telecom USA | Total                    | Personal     | Total        |
| Allowance for doubtful accounts                     | 61                  | 8          | 1           | 70                       | 151          | 151          |
| Provisions                                          | 314                 |            |             | 314                      | 129          | 129          |
| PP&E                                                |                     | 14         |             | 14                       |              |              |
| Inventory                                           |                     |            |             |                          | 99           | 99           |
| Termination benefits                                | 65                  |            |             | 65                       |              |              |
| Deferred revenues                                   | 73                  |            |             | 73                       |              |              |
| Pension benefits                                    | 33                  |            |             | 33                       |              |              |
| Other deferred tax assets, net                      | 78                  | 4          |             | 82                       |              |              |
| <b>Total deferred tax assets</b>                    | <b>624</b>          | <b>26</b>  | <b>1</b>    | <b>651</b>               | <b>379</b>   | <b>379</b>   |
| PP&E                                                | (390)               |            | (1)         | (391)                    | (260)        | (260)        |
| Intangible assets                                   | (86)                |            |             | (86)                     | (478)        | (478)        |
| Cash dividends from foreign companies               |                     | (6)        |             | (6)                      | (113)        | (113)        |
| Investments                                         |                     |            |             |                          | (61)         | (61)         |
| Other deferred tax liabilities, net                 |                     | (1)        |             | (1)                      | (17)         | (17)         |
| <b>Total deferred tax liabilities</b>               | <b>(476)</b>        | <b>(7)</b> | <b>(1)</b>  | <b>(484)</b>             | <b>(929)</b> | <b>(929)</b> |
| <b>Total deferred tax assets (liabilities), net</b> | <b>148</b>          | <b>19</b>  |             | <b>167</b>               | <b>(550)</b> | <b>(550)</b> |
| Action for recourse tax receivable year 2009        | 98                  |            |             | 98                       |              |              |
| <b>Total income tax assets</b>                      | <b>246</b>          | <b>19</b>  |             | <b>265</b>               |              |              |

(\*\*\*) Includes (25) recorded in Other comprehensive income for the year ended on December 31, 2015 and (12) corresponding to a reclassification of deferred tax liabilities to income tax payables related to withholdings of cash dividends from foreign companies.

y) Aging of assets and liabilities as of March 31, 2016

| Date due                                | Cash and cash equivalents | Investments | Trade receivables | Income tax assets | Other receivables |
|-----------------------------------------|---------------------------|-------------|-------------------|-------------------|-------------------|
| <b>Total due</b>                        |                           |             | <b>1,689</b>      |                   |                   |
| <b>Not due</b>                          |                           |             |                   |                   |                   |
| Second quarter 2016                     | 657                       | 608         | 3,895             |                   | 740               |
| Third quarter 2016                      |                           |             | 585               |                   | 425               |
| Fourth quarter 2016                     |                           | 50          | 487               |                   | 127               |
| First quarter 2017                      |                           | 169         | 278               |                   | 86                |
| April 2017 thru March 2018              |                           | 98          | 668               |                   | 178               |
| April 2018 thru March 2019              |                           | 24          | 9                 |                   | 65                |
| April 2019 and thereafter               |                           | 23          |                   |                   | 64                |
| Not date due established                |                           | 1           |                   | 308               | 20                |
| <b>Total not due</b>                    | <b>657</b>                | <b>973</b>  | <b>5,922</b>      | <b>308</b>        | <b>1,705</b>      |
| <b>Total</b>                            | <b>657</b>                | <b>973</b>  | <b>7,611</b>      | <b>308</b>        | <b>1,705</b>      |
| <b>Balances bearing interest</b>        | 328                       | 972         | 1,661             |                   |                   |
| <b>Balances not bearing interest</b>    | 329                       | 1           | 5,950             | 308               | 1,705             |
| <b>Total</b>                            | <b>657</b>                | <b>973</b>  | <b>7,611</b>      | <b>308</b>        | <b>1,705</b>      |
| <b>Average annual interest rate (%)</b> | <b>0.20%</b>              | (a)         | (b) (c)           |                   |                   |

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(a) 297 are assets in Argentine pesos (32 bearing interests between 15% and 30% and 265 are US dollar linked bonds bearing interests between 0.40% and 2.48%), and 675 are assets in foreign currency that bear 7%.

(b) From due trade receivables 75 bear 50% over the Banco de la Nación Argentina 30-day interest rate paid by banks, 741 bear 50% over the Banco de la Nación Argentina notes payable discount rate, 775 bear 49.5% and 26 bear 36%.

(c) From not due trade receivables 17 bear 45%, 35 bear 8.3% and 3 bear 34.2%.

| Date due                                | Trade payables   | Deferred revenues | Financial debt | Salaries and social security payables | Income tax payables | Deferred income tax liabilities | Other taxes payables | Other liabilities |
|-----------------------------------------|------------------|-------------------|----------------|---------------------------------------|---------------------|---------------------------------|----------------------|-------------------|
| <b>Total due</b>                        | <b>(d) 1,046</b> |                   |                |                                       |                     |                                 |                      |                   |
| <b>Not due</b>                          |                  |                   |                |                                       |                     |                                 |                      |                   |
| Second quarter 2016                     | 8,669            | 280               | 2,675          | 705                                   | 699                 |                                 | 850                  | 47                |
| Third quarter 2016                      | 974              | 44                | 452            | 168                                   | 1                   |                                 |                      | 1                 |
| Fourth quarter 2016                     | 506              | 43                | 118            | 147                                   | 1                   |                                 |                      | 1                 |
| First quarter 2017                      | 64               | 44                | 167            | 217                                   | 12                  |                                 |                      | 5                 |
| April 2017 thru March 2018              | 44               | 148               | 1,364          | 87                                    | 4                   |                                 |                      | 13                |
| April 2018 thru March 2019              |                  | 62                | 147            | 36                                    | 5                   |                                 |                      | 4                 |
| April 2019 and thereafter               | 8                | 239               |                | 32                                    |                     |                                 |                      | 97                |
| Not date due established                |                  |                   |                |                                       |                     | 462                             |                      |                   |
| <b>Total not due</b>                    | <b>10,265</b>    | <b>860</b>        | <b>4,923</b>   | <b>1,392</b>                          | <b>722</b>          | <b>462</b>                      | <b>850</b>           | <b>168</b>        |
| <b>Total</b>                            | <b>11,311</b>    | <b>860</b>        | <b>4,923</b>   | <b>1,392</b>                          | <b>722</b>          | <b>462</b>                      | <b>850</b>           | <b>168</b>        |
| <b>Balances bearing interest</b>        | 89               |                   | 4,765          |                                       | 11                  |                                 |                      |                   |
| <b>Balances not bearing interest</b>    | 11,222           | 860               | 158            | 1,392                                 | 711                 | 462                             | 850                  | 168               |
| <b>Total</b>                            | <b>11,311</b>    | <b>860</b>        | <b>4,923</b>   | <b>1,392</b>                          | <b>722</b>          | <b>462</b>                      | <b>850</b>           | <b>168</b>        |
| <b>Average annual interest rate (%)</b> | <b>6%</b>        |                   | <b>(e)</b>     |                                       | <b>9%</b>           |                                 |                      |                   |

(d) As of the date of these consolidated financial statements, 506 were cancelled.

(e) 3,465 are liabilities in Argentine pesos bearing interests between 27.50% and 32.40%, 586 are liabilities in foreign currency bearing three-month LIBOR plus 8.75% and 714 are liabilities in guaraníes bearing interests between 9.30% and 10.25%.

Table of Contents**z) Foreign currency assets and liabilities**

The following table shows a breakdown of Telecom Group's net assessed financial position exposure to currency risk as of March 31, 2016 and December 31, 2015.

|                                | 03.31.16                 |                               |                |
|--------------------------------|--------------------------|-------------------------------|----------------|
| Amount of foreign currency (i) | Exchange rate            | Amount in local currency (ii) |                |
| <b>Assets</b>                  |                          |                               |                |
| US\$                           | 110                      | 14.600                        | (iii) 1,603    |
| G                              | 321,457                  | 0.002                         | 829            |
| EURO                           | 4                        | 16.608                        | 70             |
|                                | <b>Total assets</b>      |                               | <b>2,502</b>   |
| <b>Liabilities</b>             |                          |                               |                |
| US\$                           | (602)                    | 14.700                        | (8,688)        |
| G                              | (394,578)                | 0.002                         | (1,018)        |
| EURO                           | (13)                     | 16.758                        | (214)          |
|                                | <b>Total liabilities</b> |                               | <b>(9,920)</b> |
|                                | <b>Net liabilities</b>   |                               | <b>(7,418)</b> |

(i) US\$ = United States dollar; G= Guaraníes.

(ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.

(iii) Includes 675 corresponding to Government bonds valued at fair value (equivalent to US\$ 44 million).

In order to partially reduce this net liability position in foreign currency the Telecom Group, as of March 31, 2016, holds investments adjustable to the variation of the US dollar/\$ exchange rate (US dollar linked) by \$265 so that the net liability position in foreign currency amounted to \$7,153 as of March 31, 2016 (equivalent to US\$486 million). Additionally, the Group has entered into several NDF contracts to purchase a total amount of US\$112 million. The portion of the net liability position in foreign currency not covered amounted to US\$ 374 million as of March 31, 2016.

|                                | 12.31.15            |                               |              |
|--------------------------------|---------------------|-------------------------------|--------------|
| Amount of foreign currency (i) | Exchange rate       | Amount in local currency (ii) |              |
| <b>Assets</b>                  |                     |                               |              |
| US\$                           | 102                 | 12.940                        | (iii) 1,340  |
| G                              | 234,194             | 0.002                         | 520          |
| EURO                           | 4                   | 14.068                        | 54           |
|                                | <b>Total assets</b> |                               | <b>1,914</b> |
| <b>Liabilities</b>             |                     |                               |              |
| US\$                           | (538)               | 13.040                        | (7,015)      |
| G                              | (348,051)           | 0.002                         | (771)        |
| EURO                           | (14)                | 14.210                        | (191)        |



|                          |                |
|--------------------------|----------------|
| <b>Total liabilities</b> | <b>(7,977)</b> |
| <b>Net liabilities</b>   | <b>(6,063)</b> |

- (i) US\$ = United States dollar; G= Guaraníes.
- (ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.
- (iii) Includes 616 corresponding to Government bonds at fair value (equivalent to US\$ 46 million).

In order to partially reduce this net liability position in foreign currency, the Telecom Group, as of December 31, 2015, hold investments adjustable to the variation of the US dollar/\$ exchange rate (US dollar linked) by \$1,105 and other short-term investments whose main underlying asset are financial assets dollar linked for a total amount of \$314. According to this, the Telecom Group's net liability position in foreign currency amounts to \$4,644 as of December 31, 2015, equivalent to approximately US\$ 357 million. Additionally, the Group entered into several NDF contracts as of December 31, 2015 amounting to US\$ 165 million, so, the portion of the net liability position in foreign currency not covered by these instruments amounted to US\$ 192 million as of December 31, 2015.

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

Below are shown the investments in Government bonds and Argentine companies' notes valued at amortized cost and their respective fair value as of March 31, 2016 and December 31, 2015:

| Investments                                                  | As of March 31, 2016 |                | As of December 31, 2015 |                |
|--------------------------------------------------------------|----------------------|----------------|-------------------------|----------------|
|                                                              | Book value           | Fair value (*) | Book value              | Fair value (*) |
| Government bonds (US dollar linked)                          | 73                   | 65             | 394                     | 365            |
| Provincial government bonds in pesos                         | 32                   | 32             | 32                      | 32             |
| Provincial and municipal government bonds (US dollar linked) | 152                  | 133            | 135                     | 118            |
| <b>Total</b>                                                 | <b>257</b>           | <b>230</b>     | <b>561</b>              | <b>515</b>     |

(\*) According to IFRS selling costs are not deducted.

Table of Contents

**ab) Offsetting of financial assets and financial liabilities**

The information required by the amendment to IFRS 7 as of March 31, 2016 and December 31, 2015 is as follows:

|                                                                | As of March 31, 2016 |                             |                   |                             |
|----------------------------------------------------------------|----------------------|-----------------------------|-------------------|-----------------------------|
|                                                                | Trade<br>receivables | Other<br>receivables<br>(1) | Trade<br>payables | Other<br>liabilities<br>(1) |
| Current and non-current assets (liabilities) - Gross value     | 9,372                | 713                         | (13,072)          | (77)                        |
| Offsetting                                                     | (1,761)              | (16)                        | 1,761             | 16                          |
| <b>Current and non-current assets (liabilities) Book value</b> | <b>7,611</b>         | <b>697</b>                  | <b>(11,311)</b>   | <b>(61)</b>                 |

|                                                                | As of December 31, 2015 |                             |                   |                             |
|----------------------------------------------------------------|-------------------------|-----------------------------|-------------------|-----------------------------|
|                                                                | Trade<br>receivables    | Other<br>receivables<br>(1) | Trade<br>payables | Other<br>liabilities<br>(1) |
| Current and non-current assets (liabilities) - Gross value     | 7,832                   | 822                         | (11,613)          | (71)                        |
| Offsetting                                                     | (1,688)                 | (12)                        | 1,688             | 12                          |
| <b>Current and non-current assets (liabilities) Book value</b> | <b>6,144</b>            | <b>810</b>                  | <b>(9,925)</b>    | <b>(59)</b>                 |

(1) Only includes financial assets and financial liabilities according to IFRS 7.

**CONSOLIDATED INCOME STATEMENTS**

**ac) Total revenues and other income**

|                                          | Three-month periods<br>ended March 31, |              |
|------------------------------------------|----------------------------------------|--------------|
|                                          | 2016                                   | 2015         |
|                                          | Profit (loss)                          |              |
| <b><u>Services</u></b>                   |                                        |              |
| Voice Retail                             | 975                                    | 745          |
| Voice Wholesale                          | 352                                    | 235          |
| Data                                     | 689                                    | 407          |
| Internet                                 | 1,390                                  | 973          |
| <b>Subtotal Fixed Services</b>           | <b>3,406</b>                           | <b>2,360</b> |
| Voice Retail                             | 2,049                                  | 1,702        |
| Voice Wholesale                          | 465                                    | 481          |
| Data                                     | 1,735                                  | 1,845        |
| Internet                                 | 2,202                                  | 1,188        |
| <b>Subtotal Personal Mobile Services</b> | <b>6,451</b>                           | <b>5,216</b> |
| Voice Retail                             | 201                                    | 148          |
| Voice Wholesale                          | 34                                     | 26           |

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|                                                    |               |              |
|----------------------------------------------------|---------------|--------------|
| Data                                               | 99            | 80           |
| Internet                                           | 214           | 129          |
| <b>Subtotal Núcleo Mobile Services</b>             | <b>548</b>    | <b>383</b>   |
| <b>Total service revenues (a)</b>                  | <b>10,405</b> | <b>7,959</b> |
| <b><i>Equipment</i></b>                            |               |              |
| Fixed Services                                     | 33            | 10           |
| Personal Mobile Services                           | 1,957         | 881          |
| Núcleo Mobile Services                             | 60            | 22           |
| <b>Total equipment revenues (b)</b>                | <b>2,050</b>  | <b>913</b>   |
| <b>Total revenues (a) + (b)</b>                    | <b>12,455</b> | <b>8,872</b> |
| <b><i>Other income</i></b>                         |               |              |
| Fixed Services                                     | 9             | 4            |
| Personal Mobile Services                           | 2             | 3            |
| <b>Total other income (c)</b>                      | <b>11</b>     | <b>7</b>     |
| <b>Total revenues and other income (a)+(b)+(c)</b> | <b>12,466</b> | <b>8,879</b> |

Telecom Group's service revenues by type of service (regardless of the segment originates) are as follows:

|                               | Three-month periods ended March 31, |            |              |            |
|-------------------------------|-------------------------------------|------------|--------------|------------|
|                               | 2016                                | %          | 2015         | %          |
| Voice Retail                  | 3,225                               | 31         | 2,595        | 33         |
| Voice Wholesale               | 851                                 | 8          | 742          | 9          |
| <b>Total Voice</b>            | <b>4,076</b>                        | <b>39</b>  | <b>3,337</b> | <b>42</b>  |
| Internet                      | 2,523                               | 24         | 2,332        | 29         |
| Data                          | 3,806                               | 37         | 2,290        | 29         |
| <b>Total service revenues</b> | <b>10,405</b>                       | <b>100</b> | <b>7,959</b> | <b>100</b> |

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Table of Contents

Telecom Group's services revenues by customer segment and billing mechanism are as follows:

|                                          | Three-month periods<br>ended March 31, |              |
|------------------------------------------|----------------------------------------|--------------|
|                                          | 2016                                   | 2015         |
|                                          | Profit (loss)                          |              |
| <b><u>Services</u></b>                   |                                        |              |
| <b><i>Retail</i></b>                     |                                        |              |
| Monthly Charges                          | 2,653                                  | 1,811        |
| <i>Voice</i>                             | 612                                    | 422          |
| <i>Internet</i>                          | 1,278                                  | 918          |
| <i>Bundles (Voice and Internet)</i>      | 280                                    | 188          |
| <i>Data</i>                              | 483                                    | 283          |
| Measured services                        | 151                                    | 154          |
| Connection and reconnection fees         | 29                                     | 23           |
| Pre-cancellation contract fees           | 9                                      | 5            |
| Others                                   | 5                                      | 4            |
| <b><i>Wholesale</i></b>                  |                                        |              |
| Monthly Charges                          | 297                                    | 184          |
| <i>Cell sites and links rental</i>       | 93                                     | 62           |
| <i>Data</i>                              | 204                                    | 122          |
| Fixed and mobile interconnection         | 237                                    | 155          |
| Others                                   | 25                                     | 24           |
|                                          | <b>Total Fixed services</b>            | <b>3,406</b> |
|                                          |                                        | <b>2,360</b> |
| <b><i>Retail</i></b>                     |                                        |              |
| Monthly Charges                          | 3,418                                  | 2,480        |
| <i>Voice</i>                             | 43                                     | 190          |
| <i>Internet</i>                          | 53                                     | 48           |
| <i>Bundles (Voice, SMS and Internet)</i> | 3,295                                  | 2,215        |
| <i>Others</i>                            | 27                                     | 27           |
| Measured services                        | 2,351                                  | 2,119        |
| <i>Postpaid</i>                          | 293                                    | 183          |
| <i>Prepaid and Cuentas Claras</i>        | 2,058                                  | 1,936        |
| Reconnection fees                        | 59                                     | 46           |
| Pre-cancellation contract fees           | 41                                     | 20           |
| Damage management services               | 84                                     | 56           |
| Others                                   | 33                                     | 14           |
| <b><i>Wholesale</i></b>                  |                                        |              |
| Interconnection                          | 361                                    | 392          |
| Roaming                                  | 85                                     | 79           |
| Others                                   | 19                                     | 10           |
|                                          | <b>Total Personal mobile services</b>  | <b>6,451</b> |
|                                          |                                        | <b>5,216</b> |
| <b><i>Retail</i></b>                     |                                        |              |
| Monthly Charges                          | 215                                    | 147          |
| <i>Internet</i>                          | 25                                     | 26           |
| <i>Bundles (Voice, SMS and Internet)</i> | 190                                    | 121          |
| Measured services                        | 260                                    | 190          |
| <i>Postpaid</i>                          | 6                                      | 4            |
| <i>Prepaid and Plan Control</i>          | 254                                    | 186          |
| Reconnection fees                        | 4                                      | 2            |
| Pre-cancellation contract fees           | 12                                     | 3            |
| Others                                   | 20                                     | 13           |
| <b><i>Wholesale</i></b>                  |                                        |              |
| Interconnection                          | 27                                     | 20           |

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|                                     |               |              |
|-------------------------------------|---------------|--------------|
| Roaming                             | 5             | 5            |
| Others                              | 5             | 3            |
| <b>Total Núcleo mobile services</b> | <b>548</b>    | <b>383</b>   |
| <b>Total services revenues</b>      | <b>10,405</b> | <b>7,959</b> |

Table of Contents**ad) Operating costs**

Operating expenses disclosed by nature of expense amounted to \$10,469 and \$7,199 for the three-month periods ended March 31, 2016 and 2015, respectively.

The main components of the operating expenses are the following:

|                                                                | Three-month periods<br>ended March 31, |                |
|----------------------------------------------------------------|----------------------------------------|----------------|
|                                                                | 2016                                   | 2015           |
|                                                                | Profit (loss)                          |                |
| <b><u>Employee benefit expenses and severance payments</u></b> |                                        |                |
| Salaries (*)                                                   | (1,572)                                | (1,107)        |
| Social security expenses (*)                                   | (513)                                  | (346)          |
| Severance indemnities and termination benefits                 | (51)                                   | (63)           |
| Other employee benefits                                        | (38)                                   | (27)           |
|                                                                | <b>(2,174)</b>                         | <b>(1,543)</b> |

(\*) In 2016 includes approximately (107) related to onetime payment to employees and (48) related to its social security expenses.

|                                                                         |                |              |
|-------------------------------------------------------------------------|----------------|--------------|
| <b><u>Interconnection costs and other telecommunication charges</u></b> |                |              |
| Fixed telephony interconnection costs                                   | (142)          | (75)         |
| Cost of international outbound calls                                    | (61)           | (40)         |
| Lease of circuits and use of public network                             | (120)          | (79)         |
| Mobile services - charges for roaming                                   | (145)          | (104)        |
| Mobile services - charges for TLRD                                      | (239)          | (202)        |
|                                                                         | <b>(707)</b>   | <b>(500)</b> |
| <b><u>Fees for services, maintenance, materials and supplies</u></b>    |                |              |
| Maintenance of hardware and software                                    | (118)          | (72)         |
| Technical maintenance                                                   | (320)          | (189)        |
| Service connection fees for fixed lines and Internet lines              | (50)           | (42)         |
| Service connection fees capitalized as SAC                              | 3              | 2            |
| Service connection fees capitalized as Intangible assets                | 7              | 6            |
| Other maintenance costs                                                 | (99)           | (81)         |
| Obsolescence of inventories - Mobile Services                           | (18)           | (5)          |
| Call center fees                                                        | (299)          | (304)        |
| Other fees for services                                                 | (189)          | (196)        |
| Compensation for Directors and Supervisory Committee members            | (10)           | (8)          |
|                                                                         | <b>(1,093)</b> | <b>(889)</b> |
| <b><u>Taxes and fees with the Regulatory Authority</u></b>              |                |              |
| Turnover tax                                                            | (661)          | (475)        |
| Taxes with the Regulatory Authority                                     | (272)          | (211)        |
| Tax on deposits to and withdrawals from bank accounts                   | (119)          | (89)         |
| Municipal taxes                                                         | (91)           | (60)         |
| Other taxes                                                             | (65)           | (38)         |
|                                                                         | <b>(1,208)</b> | <b>(873)</b> |

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| <b><u>Commissions</u></b>                             |                |              |
|-------------------------------------------------------|----------------|--------------|
| Agent commissions                                     | (732)          | (482)        |
| Agent commissions capitalized as SAC                  | 341            | 200          |
| Distribution of prepaid cards commissions             | (176)          | (158)        |
| Collection commissions                                | (300)          | (159)        |
| Other commissions                                     | (23)           | (24)         |
|                                                       | <b>(890)</b>   | <b>(623)</b> |
| <b><u>Cost of equipments and handsets</u></b>         |                |              |
| Inventory balance at the beginning of the period/year | (2,279)        | (794)        |
| Plus:                                                 |                |              |
| Purchases                                             | (2,171)        | (670)        |
| Deferred costs from SAC                               | 35             | 20           |
| Decreases from allowance for obsolescence             | 13             | 3            |
| Mobile handsets lent to customers at no cost          | 10             | 6            |
| Decreases not charged to material cost                |                | 1            |
| Less:                                                 |                |              |
| Inventory balance at period end                       | 2,893          | 794          |
|                                                       | <b>(1,499)</b> | <b>(640)</b> |
| <b><u>Advertising</u></b>                             |                |              |
| Media advertising                                     | (108)          | (110)        |
| Fairs and exhibitions                                 | (44)           | (49)         |
| Other advertising costs                               | (40)           | (32)         |
|                                                       | <b>(192)</b>   | <b>(191)</b> |

Table of Contents

|                                                                | Three-month periods<br>ended March 31, |              |
|----------------------------------------------------------------|----------------------------------------|--------------|
|                                                                | 2016                                   | 2015         |
|                                                                | Profit (loss)                          |              |
| <b>Cost of VAS</b>                                             |                                        |              |
| Cost of mobile VAS                                             | (377)                                  | (287)        |
| Cost of fixed VAS                                              | (13)                                   | (6)          |
|                                                                | <b>(390)</b>                           | <b>(293)</b> |
| <b>Other operating costs</b>                                   |                                        |              |
| Transportation, freight and travel expenses                    | (251)                                  | (142)        |
| Delivery costs capitalized as SAC                              | 44                                     | 13           |
| Rent of buildings and cell sites                               | (179)                                  | (122)        |
| Energy, water and others                                       | (210)                                  | (131)        |
| International and satellite connectivity                       | (54)                                   | (35)         |
|                                                                | <b>(650)</b>                           | <b>(417)</b> |
| <b>D&amp;A</b>                                                 |                                        |              |
| Depreciation of PP&E                                           | (933)                                  | (677)        |
| Amortization of SAC and service connection charges             | (338)                                  | (216)        |
| Amortization of 3G/4G licenses                                 | (98)                                   | (59)         |
| Amortization of other intangible assets                        | (6)                                    | (5)          |
|                                                                | <b>(1,375)</b>                         | <b>(957)</b> |
| <b>Gain on disposal of PP&amp;E and impairment of PP&amp;E</b> |                                        |              |
| Gain on disposal of PP&E                                       | 2                                      | 6            |
| Impairment of PP&E Fixed services                              | 5                                      | 5            |
| Impairment of PP&E Personal Mobile services                    | (29)                                   | (8)          |
|                                                                | <b>(22)</b>                            | <b>3</b>     |

The operating expenses disclosed by function are as follows:

|                                                                                                          |                               |                |
|----------------------------------------------------------------------------------------------------------|-------------------------------|----------------|
| Operating costs                                                                                          | (6,580)                       | (4,224)        |
| Administration costs                                                                                     | (532)                         | (388)          |
| Commercialization costs                                                                                  | (3,321)                       | (2,497)        |
| Other expenses provisions                                                                                | (14)                          | (93)           |
| Gain on disposal of PP&E and impairment of PP&E                                                          | (22)                          | 3              |
|                                                                                                          | <b>(10,469)</b>               | <b>(7,199)</b> |
| <b>ae) Financial results</b>                                                                             |                               |                |
| <b>Finance income</b>                                                                                    |                               |                |
| Gains on investments                                                                                     | 170                           | 11             |
| Gains on other short-term investments                                                                    | 26                            | 31             |
| Interest on receivables                                                                                  | 64                            | 42             |
| Foreign currency exchange gains                                                                          | 106                           | 20             |
| Other                                                                                                    |                               | 1              |
|                                                                                                          | <b>Total finance income</b>   | <b>366</b>     |
|                                                                                                          |                               | <b>105</b>     |
| <b>Finance expenses</b>                                                                                  |                               |                |
| Interest on loans                                                                                        | (312)                         | (44)           |
| Interest on salaries and social security payable, other taxes payables and accounts payable              | (5)                           | (4)            |
| Interest on provisions                                                                                   | (57)                          | (53)           |
| Present value effect of salaries and social security payable, other taxes payables and other liabilities | (3)                           | (1)            |
| Foreign currency exchange losses (*)                                                                     | (526)                         | (85)           |
| Interest on pension benefits                                                                             | (10)                          | (7)            |
| TUVES share purchase option                                                                              | (10)                          |                |
|                                                                                                          | <b>Total finance expenses</b> | <b>(923)</b>   |
|                                                                                                          |                               | <b>(194)</b>   |



---

(\*) Includes 100 and (22) of foreign currency exchange gains (losses) generated by the NDF in the three-month period ended March 31, 2016 and 2015, respectively.

Table of Contents**af) Income taxes**

Income tax expense for the three-month periods ended March 31, 2016 and 2015 consists of the following:

|                                                | The Company  | Telecom USA | Profit (loss) |             | Total        |
|------------------------------------------------|--------------|-------------|---------------|-------------|--------------|
|                                                |              |             | Personal      | Núcleo      |              |
| Current tax expense                            | (141)        | (4)         | (499)         | (8)         | (652)        |
| Deferred tax benefit (expense)                 | 43           | 1           | 106           | (3)         | 147          |
| <b>Income tax expense as of March 31, 2016</b> | <b>(98)</b>  | <b>(3)</b>  | <b>(393)</b>  | <b>(11)</b> | <b>(505)</b> |
| Current tax expense                            | (150)        | (1)         | (523)         | (6)         | (680)        |
| Deferred tax benefit                           | 47           |             | 81            | 2           | 130          |
| <b>Income tax expense as of March 31, 2015</b> | <b>(103)</b> | <b>(1)</b>  | <b>(442)</b>  | <b>(4)</b>  | <b>(550)</b> |

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

|                                                          | In Argentina | Abroad<br>Profit (loss) | Total        |
|----------------------------------------------------------|--------------|-------------------------|--------------|
|                                                          |              |                         |              |
| Non taxable items Income from investments                | (757)        | 2                       | (755)        |
| Non taxable items Other                                  | 1            | 30                      | 31           |
| <b>Subtotal</b>                                          | <b>1,393</b> | <b>80</b>               | <b>1,473</b> |
| Weighted statutory income tax rate                       | 35%          | (*)                     |              |
| <b>Income tax expense at weighted statutory tax rate</b> | <b>(487)</b> | <b>(14)</b>             | <b>(501)</b> |
| Income tax on dividends from foreign companies - Núcleo  | (7)          |                         | (7)          |
| Other changes in tax assets and liabilities              | 3            |                         | 3            |
| <b>Income tax expense as of March 31, 2016</b>           | <b>(491)</b> | <b>(14)</b>             | <b>(505)</b> |
| Pre-tax income on a separate return basis                | 2,401        | 48                      | 2,449        |
| Non taxable items Income from investments                | (857)        | (1)                     | (858)        |
| Non taxable items Other                                  | (3)          | (19)                    | (22)         |
| <b>Subtotal</b>                                          | <b>1,541</b> | <b>28</b>               | <b>1,569</b> |
| Weighted statutory income tax rate                       | 35%          | (*)                     |              |
| <b>Income tax expense at weighted statutory tax rate</b> | <b>(539)</b> | <b>(5)</b>              | <b>(544)</b> |
| Income tax on dividends from foreign companies - Núcleo  | (6)          |                         | (6)          |
| <b>Income tax expense as of March 31, 2015</b>           | <b>(545)</b> | <b>(5)</b>              | <b>(550)</b> |

(\*) Effective income tax rate based on weighted statutory income tax rate in the different countries where the Telecom Group has operations. For the period presented, the statutory tax rate in Argentina was 35%, in Paraguay was 10% plus an additional rate of 5% in case of payment of dividends and in the USA the effective tax rate was 39.5%.

**NOTE 3 SUPPLEMENTARY CASH FLOW INFORMATION**

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For purposes of the statements of cash flows, cash and cash equivalents comprise cash, bank current accounts and short-term highly liquid investments (with a maturity of three months or less from the date of acquisition) and bank overdrafts, which integrate the Telecom Group's cash management and whose balances fluctuate according to the Group's needs (as happened as of December 31, 2014 and as of March 31, 2015). Bank overdrafts are disclosed in the statement of financial position as financial debts. During 1Q16 bank overdrafts have been part of the permanent short-term financing structure of Personal, so, net funds requests under that method (with maturities less than three months) are included in financing activities.

|                                        | 2016       | March 31,<br>2015 | 2015       | December 31,<br>2014 |
|----------------------------------------|------------|-------------------|------------|----------------------|
| Cash and cash equivalents              | 657        | 1,266             | 870        | 825                  |
| Bank overdrafts                        |            | (491)             |            | (141)                |
| <b>Total cash and cash equivalents</b> | <b>657</b> | <b>775</b>        | <b>870</b> | <b>684</b>           |

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Table of Contents

Additional information on the breakdown of the net cash flow provided by operating activities is given below:

|                                                                            | Three-month periods<br>ended March 31, |                |
|----------------------------------------------------------------------------|----------------------------------------|----------------|
|                                                                            | 2016                                   | 2015           |
| <b>Collections</b>                                                         |                                        |                |
| Collections from customers                                                 | 12,010                                 | 9,459          |
| Interests from customers                                                   | 64                                     | 42             |
| Interests from time deposits                                               | 26                                     | 31             |
| Mobile operators collections                                               | 132                                    | 137            |
| NDF                                                                        | 159                                    |                |
| <b>Subtotal</b>                                                            | <b>12,391</b>                          | <b>9,669</b>   |
| <b>Payments</b>                                                            |                                        |                |
| For the acquisition of goods and services and others                       | (3,676)                                | (2,786)        |
| For the acquisition of inventories                                         | (1,061)                                | (1,404)        |
| Salaries and social security payables and severance payments               | (2,175)                                | (1,539)        |
| NDF                                                                        |                                        | (111)          |
| CPP payments                                                               | (192)                                  | (203)          |
| Income taxes (includes tax returns and payments in advance)                | (414)                                  | (352)          |
| Other taxes and taxes and fees with the Regulatory Authority               | (2,554)                                | (2,028)        |
| Foreign currency exchange differences related to the payments to suppliers | (884)                                  | (90)           |
| <i>Inventory suppliers</i>                                                 | (300)                                  | (70)           |
| <i>PP&amp;E suppliers</i>                                                  | (408)                                  | (12)           |
| <i>Other suppliers</i>                                                     | (176)                                  | (8)            |
| <b>Subtotal</b>                                                            | <b>(10,956)</b>                        | <b>(8,513)</b> |
| <b>Net cash flow provided by operating activities</b>                      | <b>1,435</b>                           | <b>1,156</b>   |

• *Changes in assets/liabilities components:*

|                                               |                |                |
|-----------------------------------------------|----------------|----------------|
| <b>Net (increase) decrease in assets</b>      |                |                |
| Trade receivables for services                | (896)          | (380)          |
| Trade receivables for equipment               | (760)          |                |
| Other receivables                             | (90)           | 4              |
| Inventories                                   | (620)          | (9)            |
|                                               | <b>(2,366)</b> | <b>(385)</b>   |
| <b>Net (decrease) increase in liabilities</b> |                |                |
| Trade payables                                | 1,134          | (1,066)        |
| Deferred revenues                             | (83)           | 16             |
| Salaries and social security payables         | (28)           | (60)           |
| Other taxes payables                          | (265)          | 39             |
| Other liabilities                             | 19             | 1              |
| Provisions                                    | (23)           | (11)           |
|                                               | <b>754</b>     | <b>(1,081)</b> |

Income tax paid consists of the following:

|                                     |       |       |
|-------------------------------------|-------|-------|
| Tax returns and payments in advance | (312) | (307) |
|-------------------------------------|-------|-------|

|                |              |              |
|----------------|--------------|--------------|
| Other payments | (102)        | (45)         |
|                | <b>(414)</b> | <b>(352)</b> |

- ***Main non-cash operating transactions:***

|                                                |    |    |
|------------------------------------------------|----|----|
| SAC acquisitions offset with trade receivables | 73 | 58 |
| VAT offset with income tax payments            | 14 |    |

- ***Most significant investing activities:***

PP&E acquisitions include:

|                                                                     |                |                |
|---------------------------------------------------------------------|----------------|----------------|
| PP&E additions (Note 2.i)                                           | (1,933)        | (753)          |
| Plus:                                                               |                |                |
| Payments of trade payables originated in prior periods acquisitions | (1,077)        | (862)          |
| Less:                                                               |                |                |
| Acquisition of PP&E through incurrence of trade payables            | 1,232          | 520            |
| Mobile handsets lent to customers at no cost (i)                    | 10             | 6              |
|                                                                     | <b>(1,768)</b> | <b>(1,089)</b> |

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(i) Under certain circumstances, Personal and Núcleo lend handsets to customers at no cost pursuant to term agreements. Handsets remain the property of the companies and customers are generally obligated to return them at the end of the respective agreements.

Table of Contents

Intangible assets acquisitions include:

|                                                                       | Three-month periods<br>ended March 31, |              |
|-----------------------------------------------------------------------|----------------------------------------|--------------|
|                                                                       | 2016                                   | 2015         |
| Intangible assets additions (Note 2.j)                                | (430)                                  | (241)        |
| Plus:                                                                 |                                        |              |
| Payments of trade payables originated in prior periods acquisitions   | (174)                                  | (112)        |
| SAC acquisitions offset with trade receivables                        | (73)                                   | (58)         |
| Less:                                                                 |                                        |              |
| Acquisition of intangible assets through incurrence of trade payables | 234                                    | 147          |
|                                                                       | <b>(443)</b>                           | <b>(264)</b> |

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

|                                      |            |             |
|--------------------------------------|------------|-------------|
| Investments over 90 days maturity    |            | 1           |
| Government bonds acquisition         |            | (60)        |
| Argentine companies notes collection |            | 28          |
| Government bonds sale (*)            | 947        |             |
| Government bonds collection          | 4          | 18          |
|                                      | <b>951</b> | <b>(13)</b> |

(\*) Correspond to the sale of BONAD 2016/2017/2018 Government bonds hold as of December 31, 2015 that generated a gain of 170 included in Gain on investments line item in Finance Income.

- ***Financing activities components:***

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

|                                        |                |            |
|----------------------------------------|----------------|------------|
| Bank overdrafts (Personal)             | 478            |            |
| Bank overdrafts (Telecom Argentina)    | 710            |            |
| Bank overdrafts (Núcleo)               | 18             |            |
| Bank loans (Personal)                  |                | 353        |
| Bank loans (Núcleo)                    | 122            |            |
| <b>Total financial debt proceeds</b>   | <b>1,328</b>   | <b>353</b> |
| Bank overdrafts (Personal)             | (1,396)        |            |
| Bank loans (Núcleo)                    | (25)           | (9)        |
| <b>Total payment of financial debt</b> | <b>(1,421)</b> | <b>(9)</b> |
| Bank overdrafts (Personal)             | (259)          | (31)       |
| Bank overdrafts (Telecom Argentina)    | (11)           |            |
| Notes interests (Personal)             | (52)           |            |

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|                                                    |              |             |
|----------------------------------------------------|--------------|-------------|
| Bank interests (Personal)                          | (15)         | (12)        |
| Bank interests (Núcleo)                            | (14)         | (10)        |
| <b>Total payment of interest and related costs</b> | <b>(351)</b> | <b>(53)</b> |

**NOTE 4 SEGMENT INFORMATION**

As of March 31, 2015 and 2016, the Telecom Group carries out its activities through six companies which were consolidated by the end of the three-month periods ended March 31, 2016 and 2015 (Note 1.a).

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

Segment financial information for the three-month periods ended March 31, 2016 and 2015 was as follows:

Table of Contents

For the three-month period ended March 31, 2016

• Income statement

|                                                                           | Fixed<br>Services | Personal     | Mobile Services<br>Núcleo<br>(*) | Subtotal     | Eliminations | Total         |
|---------------------------------------------------------------------------|-------------------|--------------|----------------------------------|--------------|--------------|---------------|
| <b>Total revenues and other income (1)</b>                                | <b>3,967</b>      | <b>8,448</b> | <b>610</b>                       | <b>9,058</b> | <b>(559)</b> | <b>12,466</b> |
| Employee benefit expenses and severance payments                          | (1,617)           | (512)        | (45)                             | (557)        |              | (2,174)       |
| Interconnection costs and other telecommunication charges                 | (264)             | (772)        | (57)                             | (829)        | 386          | (707)         |
| Fees for services, maintenance, materials and supplies                    | (508)             | (638)        | (53)                             | (691)        | 106          | (1,093)       |
| Taxes and fees with the Regulatory Authority                              | (262)             | (927)        | (19)                             | (946)        |              | (1,208)       |
| Commissions                                                               | (65)              | (770)        | (69)                             | (839)        | 14           | (890)         |
| Cost of equipments and handsets                                           | (45)              | (1,381)      | (73)                             | (1,454)      |              | (1,499)       |
| Advertising                                                               | (16)              | (152)        | (24)                             | (176)        |              | (192)         |
| Cost of VAS                                                               | (13)              | (350)        | (27)                             | (377)        |              | (390)         |
| Provisions                                                                | 9                 | (23)         |                                  | (23)         |              | (14)          |
| Bad debt expenses                                                         | (42)              | (193)        | (20)                             | (213)        |              | (255)         |
| Other operating expenses                                                  | (333)             | (334)        | (36)                             | (370)        | 53           | (650)         |
| <b>Operating income before D&amp;A</b>                                    | <b>811</b>        | <b>2,396</b> | <b>187</b>                       | <b>2,583</b> |              | <b>3,394</b>  |
| Depreciation of PP&E                                                      | (379)             | (423)        | (131)                            | (554)        |              | (933)         |
| Amortization of intangible assets                                         | (52)              | (365)        | (25)                             | (390)        |              | (442)         |
| Gain on disposal and impairment of PP&E                                   | 11                | (34)         | 1                                | (33)         |              | (22)          |
| <b>Operating income</b>                                                   | <b>391</b>        | <b>1,574</b> | <b>32</b>                        | <b>1,606</b> |              | <b>1,997</b>  |
| Financial results, net                                                    | (105)             | (460)        | 8                                | (452)        |              | (557)         |
| <b>Income before income tax expense</b>                                   | <b>286</b>        | <b>1,114</b> | <b>40</b>                        | <b>1,154</b> |              | <b>1,440</b>  |
| Income tax expense, net                                                   | (101)             | (393)        | (11)                             | (404)        |              | (505)         |
| <b>Net income</b>                                                         | <b>185</b>        | <b>721</b>   | <b>29</b>                        | <b>750</b>   |              | <b>935</b>    |
| <b>Net income attributable to Telecom Argentina (Controlling Company)</b> | <b>185</b>        | <b>721</b>   | <b>19</b>                        | <b>740</b>   |              | <b>925</b>    |
| <b>Net income attributable to non-controlling interest</b>                |                   |              | <b>10</b>                        | <b>10</b>    |              | <b>10</b>     |
|                                                                           | <b>185</b>        | <b>721</b>   | <b>29</b>                        | <b>750</b>   |              | <b>935</b>    |

(\*) Include no material operations of Personal Envíos (Revenues 5, Operating income before D&A (2), Operating income (2) and Net loss (2)).

(1)

|                    |       |       |     |              |               |
|--------------------|-------|-------|-----|--------------|---------------|
| Service revenues   | 3,406 | 6,451 | 548 | <b>6,999</b> | <b>10,405</b> |
| Equipment revenues | 33    | 1,957 | 60  | <b>2,017</b> | <b>2,050</b>  |
| Other income       | 9     | 2     |     | <b>2</b>     | <b>11</b>     |



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|                                        |              |              |            |              |              |               |
|----------------------------------------|--------------|--------------|------------|--------------|--------------|---------------|
| Subtotal third party revenues          | 3,448        | 8,410        | 608        | 9,018        |              | 12,466        |
| Intersegment revenues                  | 519          | 38           | 2          | 40           | (559)        |               |
| <b>Total revenues and other income</b> | <b>3,967</b> | <b>8,448</b> | <b>610</b> | <b>9,058</b> | <b>(559)</b> | <b>12,466</b> |

• Statement of financial position information

|                                                          |            |              |            |                |     |                |
|----------------------------------------------------------|------------|--------------|------------|----------------|-----|----------------|
| <b>PP&amp;E</b>                                          | 9,608      | 7,388        | 2,130      | <b>9,518</b>   |     | <b>19,126</b>  |
| <b>Intangible assets, net</b>                            | 433        | 7,126        | 102        | <b>7,228</b>   | (1) | <b>7,660</b>   |
| Capital expenditures on PP&E (a)                         | 540        | 834          | 98         | <b>932</b>     |     | <b>1,472</b>   |
| Capital expenditures on intangible assets (b)            | 42         | 360          | 28         | <b>388</b>     |     | <b>430</b>     |
| <b>Total capital expenditures (a)+(b)</b>                | <b>582</b> | <b>1,194</b> | <b>126</b> | <b>1,320</b>   |     | <b>1,902</b>   |
| <b>Total additions on PP&amp;E and intangible assets</b> | <b>833</b> | <b>1,313</b> | <b>217</b> | <b>1,530</b>   |     | <b>2,363</b>   |
| <b>Net financial debt</b>                                | (198)      | (2,566)      | (530)      | <b>(3,096)</b> |     | <b>(3,294)</b> |

• Geographic information

|              | Total revenues and other income |                          | Total non-current assets |
|--------------|---------------------------------|--------------------------|--------------------------|
|              | Breakdown by location           | Breakdown by location of | Breakdown by             |
|              | of operations                   | the Group's customers    | location of operations   |
| Argentina    | 11,771                          |                          | 25,692                   |
| Abroad       | 695                             | 11,634                   | 2,552                    |
| <b>Total</b> | <b>12,466</b>                   | <b>12,466</b>            | <b>28,244</b>            |

Table of Contents

For the three-month period ended March 31, 2015

• Income statement

|                                                                           | Fixed<br>Services | Personal     | Mobile Services<br>Núcleo<br>(*) | Subtotal     | Eliminations | Total        |
|---------------------------------------------------------------------------|-------------------|--------------|----------------------------------|--------------|--------------|--------------|
| <b>Total revenues and other income (1)</b>                                | <b>2,883</b>      | <b>6,136</b> | <b>407</b>                       | <b>6,543</b> | <b>(547)</b> | <b>8,879</b> |
| Employee benefit expenses and severance payments                          | (1,143)           | (368)        | (32)                             | (400)        |              | (1,543)      |
| Interconnection costs and other telecommunication charges                 | (163)             | (698)        | (38)                             | (736)        | 399          | (500)        |
| Fees for services, maintenance, materials and supplies                    | (378)             | (575)        | (36)                             | (611)        | 100          | (889)        |
| Taxes and fees with the Regulatory Authority                              | (183)             | (678)        | (12)                             | (690)        |              | (873)        |
| Commissions                                                               | (54)              | (536)        | (46)                             | (582)        | 13           | (623)        |
| Cost of equipments and handsets                                           | (19)              | (593)        | (28)                             | (621)        |              | (640)        |
| Advertising                                                               | (16)              | (158)        | (17)                             | (175)        |              | (191)        |
| Cost of VAS                                                               | (6)               | (265)        | (22)                             | (287)        |              | (293)        |
| Provisions                                                                | (40)              | (53)         |                                  | (53)         |              | (93)         |
| Bad debt expenses                                                         | (49)              | (129)        | (5)                              | (134)        |              | (183)        |
| Other operating expenses                                                  | (207)             | (221)        | (24)                             | (245)        | 35           | (417)        |
| <b>Operating income before D&amp;A</b>                                    | <b>625</b>        | <b>1,862</b> | <b>147</b>                       | <b>2,009</b> |              | <b>2,634</b> |
| Depreciation of PP&E                                                      | (298)             | (301)        | (78)                             | (379)        |              | (677)        |
| Amortization of intangible assets                                         | (42)              | (222)        | (16)                             | (238)        |              | (280)        |
| Gain on disposal and impairment of PP&E                                   | 8                 | (5)          |                                  | (5)          |              | 3            |
| <b>Operating income</b>                                                   | <b>293</b>        | <b>1,334</b> | <b>53</b>                        | <b>1,387</b> |              | <b>1,680</b> |
| Financial results, net                                                    | 5                 | (85)         | (9)                              | (94)         |              | (89)         |
| <b>Income before income tax expense</b>                                   | <b>298</b>        | <b>1,249</b> | <b>44</b>                        | <b>1,293</b> |              | <b>1,591</b> |
| Income tax expense, net                                                   | (104)             | (442)        | (4)                              | (446)        |              | (550)        |
| <b>Net income</b>                                                         | <b>194</b>        | <b>807</b>   | <b>40</b>                        | <b>847</b>   |              | <b>1,041</b> |
| <b>Net income attributable to Telecom Argentina (Controlling Company)</b> | <b>194</b>        | <b>807</b>   | <b>27</b>                        | <b>834</b>   |              | <b>1,028</b> |
| <b>Net income attributable to non-controlling interest</b>                |                   |              | <b>13</b>                        | <b>13</b>    |              | <b>13</b>    |
|                                                                           | <b>194</b>        | <b>807</b>   | <b>40</b>                        | <b>847</b>   |              | <b>1,041</b> |

(\*) Include no material operations of Personal Envíos (Revenues 2, Operating income before D&amp;A (1), Operating income (1) and Net loss (1)).

(1)

|                    |       |       |     |              |              |
|--------------------|-------|-------|-----|--------------|--------------|
| Service revenues   | 2,360 | 5,216 | 383 | <b>5,599</b> | <b>7,959</b> |
| Equipment revenues | 10    | 881   | 22  | <b>903</b>   | <b>913</b>   |
| Other income       | 4     | 3     |     | <b>3</b>     | <b>7</b>     |

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|                                        |              |              |            |              |              |              |
|----------------------------------------|--------------|--------------|------------|--------------|--------------|--------------|
| Subtotal third party revenues          | 2,374        | 6,100        | 405        | 6,505        |              | 8,879        |
| Intersegment revenues                  | 509          | 36           | 2          | 38           | (547)        |              |
| <b>Total revenues and other income</b> | <b>2,883</b> | <b>6,136</b> | <b>407</b> | <b>6,543</b> | <b>(547)</b> | <b>8,879</b> |

• Statement of financial position information

|                                                          |            |            |           |            |     |            |
|----------------------------------------------------------|------------|------------|-----------|------------|-----|------------|
| <b>PP&amp;E</b>                                          | 7,761      | 4,708      | 1,337     | 6,045      |     | 13,806     |
| <b>Intangible assets, net</b>                            | 389        | 4,840      | 64        | 4,904      | (1) | 5,292      |
| Capital expenditures on PP&E (a)                         | 300        | 284        | 39        | 323        |     | 623        |
| Capital expenditures on intangible assets (b)            | 36         | 185        | 20        | 205        |     | 241        |
| <b>Total capital expenditures (a)+(b)</b>                | <b>336</b> | <b>469</b> | <b>59</b> | <b>528</b> |     | <b>864</b> |
| <b>Total additions on PP&amp;E and intangible assets</b> | <b>404</b> | <b>522</b> | <b>68</b> | <b>590</b> |     | <b>994</b> |
| <b>Net financial asset (debt)</b>                        | 260        | 502        | (241)     | 261        |     | 521        |

• Geographic information

|              | Total revenues and other income |                          | Total non-current assets |
|--------------|---------------------------------|--------------------------|--------------------------|
|              | Breakdown by location           | Breakdown by location of | Breakdown by             |
|              | of operations                   | the Group's customers    | location of operations   |
| Argentina    | 8,444                           |                          | 18,384                   |
| Abroad       | 435                             |                          | 1,493                    |
| <b>Total</b> | <b>8,879</b>                    | <b>8,368</b>             | <b>19,877</b>            |

Table of Contents

**NOTE 5 RELATED PARTY BALANCES AND TRANSACTIONS**

**a) Controlling group**

Nortel, residing in A. Moreau de Justo 50 - 11th floor Ciudad Autónoma de Buenos Aires, holds 54.74% stake in the Company, meaning that exercises control of the Company in the terms of Art. 33 of Law No. 19,550. As of March 31, 2016, Nortel owns all of the Class A Preferred shares (51% of total shares of the Company) and 7.64% of the Class B Preferred shares (3.74% of total shares of the Company).

As a result of the Company's Treasury Shares Acquisition Process described in Note 7.b) Acquisition of Treasury Shares, as of March 31, 2016, Nortel's equity interest in Telecom Argentina amounts to 55.60% of the outstanding shares. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings.

All shares of common stock of Nortel belong to Sofora. As of March 31, 2016 these shares represent 78.38% of Nortel's capital stock.

Sofora's capital stock consists of shares of common stock, with a par value of \$1 Argentine peso each and one vote per share. As of March 31, 2016, Sofora's shares are held by Fintech Telecom LLC (68%) and W de Argentina Inversiones S.A. (32%). Additionally, Fintech holds 18,086,059 Class B shares of Telecom Argentina, which represent 1.837% of Telecom Argentina's total capital stock.

Fintech Telecom LLC, 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) company, is directly controlled by Mr. David Martínez (a member of Telecom Argentina's Board of Directors). Fintech Advisory Inc. is an investor and investment manager in equity and debt securities of sovereign and private entities primarily in emerging markets.

In connection with the Shareholders' Agreement entered into by the Telecom Italia Group and W de Argentina Inversiones S.A., as last amended on October 24, 2014 (the New Shareholders' Agreement), Fintech Telecom LLC adhered as a party to the New Shareholders' Agreement by means of execution of a Deed of Adherence, following its acquisition of 17% of Sofora's capital stock. On March 8, 2016, as a result of its acquisition of 51% of Sofora's shares, Fintech acquired all the rights and obligations of the Telecom Italia Group under the New Shareholders' Agreement.

**b) Related parties**

For the purposes of these consolidated financial statements, related parties are those individuals or legal entities which are related (in terms of IAS 24) to Telecom Italia Group, Fintech Telecom LLC or W de Argentina - Inversiones S.A., except Nortel and companies under sect. 33 of

the LGS, as explained below.

In connection with the change of control explained in Note 10.a), on March 8, 2016, Fintech Telecom LLC acquired 51% of Sofora's shares from the Telecom Italia Group. As a result, Fintech Telecom LLC acquired the indirect control of the Telecom Group, increasing its holding in Sofora to 68% of Sofora's shares and voting rights. Therefore, the transactions disclosed in d) below corresponding to the Telecom Italia Group are those performed until March 8, 2016, as from which date the Telecom Italia Group has ceased to be a related party of the Telecom Group. Please note that no operations with related parties of Fintech Telecom LLC conducted as from March 8, 2016 have been identified.

For the periods presented, the Telecom Group has not conducted any transactions with Key Managers and/or persons related to them, as described above:

Table of Contentsc) **Balances with related parties**

|                                                            | Type of related party                          | March 31,<br>2016 | December 31,<br>2015 |
|------------------------------------------------------------|------------------------------------------------|-------------------|----------------------|
| <b>CURRENT ASSETS</b>                                      |                                                |                   |                      |
| <b>Cash and cash equivalents</b>                           |                                                |                   |                      |
| Banco Atlas S.A. (a)                                       | Other related party                            | 3                 | 2                    |
|                                                            |                                                | <b>3</b>          | <b>2</b>             |
| <b>Trade receivables</b>                                   |                                                |                   |                      |
| Editorial Azeta (a)                                        | Other related party                            | 2                 |                      |
| TIM Participações S.A. (b)                                 | Other related party                            |                   | 13                   |
| Latin American Nautilus Argentina S.A. (b)                 | Other related party                            |                   | 1                    |
| Telecom Italia S.p.A.                                      | Indirect parent company until<br>March 8, 2016 |                   | 3                    |
| Experta ART S.A. (d) (e)                                   | Other related party                            |                   | 1                    |
|                                                            |                                                | <b>2</b>          | <b>18</b>            |
| <b>Other receivables</b>                                   |                                                |                   |                      |
| Latin American Nautilus Ltd. (b)                           | Other related party                            |                   | 36                   |
| Caja de Seguros S.A. (c)                                   | Other related party                            |                   | 3                    |
|                                                            |                                                |                   | <b>39</b>            |
| <b>CURRENT LIABILITIES</b>                                 |                                                |                   |                      |
| <b>Trade payables</b>                                      |                                                |                   |                      |
| Italtel Group (b)                                          | Other related party                            |                   | 160                  |
| Latin American Nautilus Ltd. (b)                           | Other related party                            |                   | 53                   |
| Telecom Italia S.p.A.                                      | Indirect parent company until<br>March 8, 2016 |                   | 28                   |
| Telecom Italia Sparkle S.p.A. (b)                          | Other related party                            |                   | 27                   |
| Latin American Nautilus USA Inc. (b)                       | Other related party                            |                   | 3                    |
| Latin American Nautilus Argentina S.A. (b)                 | Other related party                            |                   | 2                    |
| TIM Participacoes S.A. (b)                                 | Other related party                            |                   | 2                    |
| Universal Music Argentina S.A. (b)                         | Other related party                            |                   | 10                   |
| Caja de Seguros S.A. (c)                                   | Other related party                            |                   | 46                   |
| Experta ART S.A. (d) (e)                                   | Other related party                            | 11                | 12                   |
| Haras El Capricho S.A. (f)                                 | Other related party                            |                   | 1                    |
| Telteco S.A. (g)                                           | Other related party                            |                   | 5                    |
|                                                            |                                                | <b>11</b>         | <b>349</b>           |
| <b>Financial debt Notes (Current and Non-Current)</b>      |                                                |                   |                      |
| La Estrella Sociedad Anónima de Seguros de Retiro S.A. (d) | Other related party                            | 101               |                      |
| Experta ART S.A. (d) (e)                                   | Other related party                            | 40                |                      |
| Experiencia ART S.A. (f)                                   | Other related party                            | 60                |                      |
|                                                            |                                                | <b>201</b>        |                      |

d) **Transactions with related parties**

| Transaction description  | Type of related party | Three-month periods ended March 31, |      |
|--------------------------|-----------------------|-------------------------------------|------|
|                          |                       | 2016                                | 2015 |
| Profit (loss)            |                       |                                     |      |
| <b>Services rendered</b> |                       |                                     |      |
| Editorial Azeta (a)      | Voice Wholesale       | Other related party                 | 2    |

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|                                            |           |           |                                             |            |            |
|--------------------------------------------|-----------|-----------|---------------------------------------------|------------|------------|
| Telecom Italia Sparkle S.p.A. (b)          | Voice     | Wholesale | Other related party                         | 4          | 5          |
| Latin American Nautilus Argentina S.A. (b) | Voice     | Wholesale | Other related party                         | 2          | 2          |
| TIM Participacoes S.A. (b)                 | Voice     | Wholesale | Other related party                         | 2          | 2          |
| Telecom Italia S.p.A.                      |           |           | Indirect parent company until March 8, 2016 | 2          |            |
| Caja de Seguros S.A. (c)                   | Voice     | Retail    | Other related party                         | 58         | 59         |
| Caja de Seguros S.A. (c)                   | Equipment |           | Other related party                         | 43         | 55         |
| <b>Total services rendered</b>             |           |           |                                             | <b>113</b> | <b>123</b> |

- 
- (a) Such companies relate to ABC Telecommunications Group of Paraguay (Non-controlling shareholders of Núcleo).
- (b) Such companies related to Telecom Italia Group until March 8, 2016.
- (c) Until March 30, 2015 this company related both to Telecom Italia Group and W de Argentina - Inversiones S.A. Since March 31, 2015 and until March 8, 2016 it related to Telecom Italia Group.
- (d) Until March 30, 2015 this company related both to Telecom Italia Group and W de Argentina - Inversiones S.A. Since March 31, 2015 it relates to W de Argentina - Inversiones S.A.
- (e) Until September 9, 2015 this company was La Caja Aseguradora de Riesgos del Trabajo ART S.A.
- (f) Such companies relate to W de Argentina Inversiones S.A.
- (g) Such company relate to a Board of Directors member appointed by W de Argentina Inversiones S.A.

Table of Contents

|                                                            | Transaction description                | Type of related party                       | Three-month periods ended March 31, |             |
|------------------------------------------------------------|----------------------------------------|---------------------------------------------|-------------------------------------|-------------|
|                                                            |                                        |                                             | 2016                                | 2015        |
|                                                            |                                        |                                             | Profit (loss)                       |             |
| <b>Services received</b>                                   |                                        |                                             |                                     |             |
| Latin American Nautilus Ltd. (b)                           | International outbound calls and data  | Other related party                         | (19)                                | (23)        |
| Grupo Italtel (b)                                          | Maintenance, materials and supplies    | Other related party                         | (10)                                | (3)         |
| Telecom Italia Sparkle S.p.A. (b)                          | International outbound calls and other | Other related party                         | (7)                                 | (12)        |
| TIM Participacoes S.A. (b)                                 | Roaming                                | Other related party                         | (17)                                | (6)         |
| Telecom Italia S.p.A.                                      | Fees for services and roaming          | Indirect parent company until March 8, 2016 | (3)                                 | (3)         |
| Latin American Nautilus Argentina S.A. (b)                 | International outbound calls           | Other related party                         | (2)                                 | (2)         |
| Latin American Nautilus USA Inc. (b)                       | International outbound calls           | Other related party                         | (1)                                 | (2)         |
| Universal Music Argentina S.A. (b)                         | VAS costs                              | Other related party                         | (4)                                 |             |
| Caja de Seguros S.A. (b)                                   | Insurance                              | Other related party                         | (9)                                 | (9)         |
| Experta ART S.A. (d) (e)                                   | Salaries and social security           | Other related party                         | (30)                                | (22)        |
| La Estrella Sociedad Anónima de Seguros de Retiro S.A. (d) | Insurance                              | Other related party                         |                                     | (2)         |
| Telteco S.A. (g)                                           | Fees for services                      | Other related party                         | (8)                                 |             |
|                                                            |                                        |                                             | <b>Total services received</b>      | <b>(84)</b> |
| <b>Finance costs</b>                                       |                                        |                                             |                                     |             |
| Experiencia ART S.A. (f)                                   | Notes interests                        | Other related party                         | (1)                                 |             |
| Experta ART S.A. (d) (e)                                   | Notes interests                        | Other related party                         | (1)                                 |             |
| La Estrella Sociedad Anónima de Seguros de Retiro (d)      | Notes interests                        | Other related party                         | (2)                                 |             |
|                                                            |                                        |                                             | <b>Total finance costs</b>          | <b>(4)</b>  |
| <b>Purchases of PP&amp;E</b>                               |                                        |                                             |                                     |             |
| Grupo Italtel (b)                                          |                                        | Other related party                         | 18                                  | 6           |
| Telteco S.A. (g)                                           |                                        | Other related party                         | 4                                   |             |
|                                                            |                                        |                                             | <b>Total purchases of PP&amp;E</b>  | <b>6</b>    |

(a) Such companies relate to ABC Telecommunications Group of Paraguay (Non-controlling shareholders of Núcleo).

(b) Such companies related to Telecom Italia Group until March 8, 2016.

(c) Until March 30, 2015 this company related both to Telecom Italia Group and W de Argentina - Inversiones S.A. Since March 31, 2015 and until March 8, 2016 it related to Telecom Italia Group.

(d) Until March 30, 2015 this company related both to Telecom Italia Group and W de Argentina - Inversiones S.A. Since March 31, 2015 it relates to W de Argentina - Inversiones S.A.

(e) Until September 9, 2015 this company was La Caja Aseguradora de Riesgos del Trabajo ART S.A.



- (f) Such companies relate to W de Argentina Inversiones S.A.
- (g) Such company relate to a Board of Directors member appointed by W de Argentina Inversiones S.A.

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

**e) Key Managers**

Compensation for the Key Managers, including social security contribution, amounted to \$22 and \$18 for the three-month periods ended March 31, 2016 and 2015, respectively, and was recorded as expenses under the item line Employee benefits expenses and severance payments . The total expense remuneration is comprised as follows:

|                               | Three-month periods<br>ended March 31, |           |
|-------------------------------|----------------------------------------|-----------|
|                               | 2016                                   | 2015      |
| Salaries (*)                  | 10                                     | 9         |
| Variable compensation (*)     | 5                                      | 5         |
| Social security contributions | 4                                      | 4         |
| Termination benefits          | 3                                      |           |
|                               | <b>22</b>                              | <b>18</b> |

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(\*) Gross compensation. Social security and income tax retentions are in charge of the employee.

As of March 31, 2016, an amount of \$5 remained unpaid.

As of March 31, 2016 and 2015, the Telecom Group has recorded a provision of \$7 and \$5, respectively, for the fees of its Board of Directors members. The members and alternate members of the Board of Directors do not hold executive positions in the Company or Company s subsidiaries.

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

The Telecom Group has entered into various purchase orders amounting in the aggregate to approximately \$7,068 as of March 31, 2016 (of which \$3,457 corresponds to PP&E commitments), primarily related to the supply of switching equipment, external wiring, infrastructure agreements, inventory and other service agreements.

**b) Contingencies**

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

The determination of the required provisions may change in the future due to new developments or unknown facts at the time of the evaluation of the claims or changes as a matter of law or legal interpretation. Consequently, as of March 31, 2016, the Telecom Group has recorded provisions in an aggregate amount of \$1,505 to cover potential losses under these claims (\$84 for regulatory contingencies deducted from assets and \$1,421 included under provisions) and certain amounts deposited in the Company's bank accounts have been restricted as to their use due to some judicial proceedings. As of March 31, 2016, these restricted funds totaled \$58 (included under Other receivables item line in the consolidated statement of financial position).

Provisions consist of the following:

|                                                        | Balances<br>as of<br>December<br>31, 2015 | Additions |                  |                   | Decreases                  |             | Balances<br>as of<br>March 31,<br>2016 |
|--------------------------------------------------------|-------------------------------------------|-----------|------------------|-------------------|----------------------------|-------------|----------------------------------------|
|                                                        |                                           | Capital   | Interest<br>(ii) | Reclassifications | Classified<br>to liability | Payments    |                                        |
| <b><u>Current</u></b>                                  |                                           |           |                  |                   |                            |             |                                        |
| Provision for civil and commercial proceedings         | 112                                       |           |                  | (7)               |                            | (4)         | 101                                    |
| Provision for labor claims                             | 51                                        |           |                  | 13                |                            | (6)         | 58                                     |
| Provision for regulatory, tax and other matters claims | 44                                        |           |                  | 37                |                            | (13)        | 68                                     |
| <b>Total current provisions</b>                        | <b>207</b>                                |           |                  | <b>43</b>         |                            | <b>(23)</b> | <b>227</b>                             |
| <b><u>Non-current</u></b>                              |                                           |           |                  |                   |                            |             |                                        |
| Provision for civil and commercial proceedings         | 240                                       | 2         | 11               | 7                 |                            |             | 260                                    |

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|                                                        |              |               |           |             |              |
|--------------------------------------------------------|--------------|---------------|-----------|-------------|--------------|
| Provision for labor claims                             | 329          | 11            | 21        | (13)        | 348          |
| Provision for regulatory, tax and other matters claims | 407          |               | 10        | (37)        | 380          |
| Asset retirement obligations                           | 189          | 2             | 15        |             | 206          |
| <b>Total non-current provisions</b>                    | <b>1,165</b> | <b>15</b>     | <b>57</b> | <b>(43)</b> | <b>1,194</b> |
| <b>Total provisions</b>                                | <b>1,372</b> | <b>(i) 15</b> | <b>57</b> | <b>(23)</b> | <b>1,421</b> |

|                                                        | Balances as of December 31, 2014 | Additions<br>Capital (iii) | Interest (ii) | Reclassifications | Decreases<br>Classified to liability<br>Payments | Balances as of March 31, 2015 |
|--------------------------------------------------------|----------------------------------|----------------------------|---------------|-------------------|--------------------------------------------------|-------------------------------|
| <b>Current</b>                                         |                                  |                            |               |                   |                                                  |                               |
| Provision for civil and commercial proceedings         | 71                               | 34                         | 18            | 7                 | (2)                                              | 128                           |
| Provision for labor claims                             | 51                               |                            |               | 9                 | (8)                                              | 52                            |
| Provision for regulatory, tax and other matters claims | 77                               |                            |               | 3                 | (1)                                              | 79                            |
| <b>Total current provisions</b>                        | <b>199</b>                       | <b>34</b>                  | <b>18</b>     | <b>19</b>         | <b>(11)</b>                                      | <b>259</b>                    |
| <b>Non-current</b>                                     |                                  |                            |               |                   |                                                  |                               |
| Provision for civil and commercial proceedings         | 228                              | 10                         | 7             | (7)               |                                                  | 238                           |
| Provision for labor claims                             | 288                              | 24                         | 16            | (9)               |                                                  | 319                           |
| Provision for regulatory, tax and other matters claims | 441                              | 25                         | 9             | (3)               |                                                  | 472                           |
| Asset retirement obligations                           | 123                              |                            | 3             |                   |                                                  | 126                           |
| <b>Total non-current provisions</b>                    | <b>1,080</b>                     | <b>59</b>                  | <b>35</b>     | <b>(19)</b>       |                                                  | <b>1,155</b>                  |
| <b>Total provisions</b>                                | <b>1,279</b>                     | <b>93</b>                  | <b>53</b>     |                   | <b>(11)</b>                                      | <b>1,414</b>                  |

(i) 14 included in Provisions and 1 included in currency translation adjustments.

(ii) Included in Finance costs, in the line Interest on provisions

(iii) Included in Provisions.

Table of Contents**NOTE 7 EQUITY**

Equity includes:

|                                                                                        | March 31,<br>2016 | December 31,<br>2015 |
|----------------------------------------------------------------------------------------|-------------------|----------------------|
| Equity attributable to Telecom Argentina (Controlling Company)                         | 18,241            | 17,194               |
| Equity attributable to non-controlling interest (ABC Telecomunicaciones S.A. Note 1.a) | 493               | 416                  |
| <b>Total equity (*)</b>                                                                | <b>18,734</b>     | <b>17,610</b>        |

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

**(a) Capital information**

The total capital stock of Telecom Argentina amounted to \$984,380,978, represented by an equal number of ordinary shares, of \$1 Argentine peso of nominal value and entitled to one vote per share. The capital stock is fully integrated and registered with the Public Registry of Commerce.

The Company's shares are authorized by the CNV, the BCBA and the NYSE for public trading. Only Class B shares are traded since Nortel owns all of the outstanding Class A shares; and Class C shares are dedicated to the employee stock ownership program, as described below.

Telecom Argentina's breakdown of capital stock as of March 31, 2016 is as following:

| Shares                                                    | Registered, subscribed and authorized for public offering |                   |                     |
|-----------------------------------------------------------|-----------------------------------------------------------|-------------------|---------------------|
|                                                           | Outstanding shares                                        | Treasury shares   | Total capital stock |
| Ordinary shares, \$1 Argentine peso of nominal value each |                                                           |                   |                     |
| Class A                                                   | 502,034,299                                               |                   | 502,034,299         |
| Class B                                                   | 466,883,425                                               | 15,221,373        | 482,104,798         |
| Class C                                                   | 241,881                                                   |                   | 241,881             |
| <b>Total</b>                                              | <b>969,159,605</b>                                        | <b>15,221,373</b> | <b>984,380,978</b>  |

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

**(b) Acquisition of Treasury Shares**

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

In connection with the foregoing, on May 22, 2013, Telecom Argentina's Board of Directors approved a Treasury Shares Acquisition Program of Telecom Argentina in the market in Argentine pesos (the Treasury Shares Acquisition Program) for the purpose of avoiding any possible damages to Telecom Argentina and its shareholders derived from fluctuations and unbalances between the shares' price and Telecom Argentina's solvency, for the following maximum amount and with the following deadline:

- Maximum amount to be invested: \$1,200.
- Deadline for the acquisitions: until April 30, 2014.

According to the offer made on November 7, 2013 by Fintech Telecom LLC for the acquisition of the controlling interest of the Telecom Italia Group in Telecom Argentina (see Note 5.a to these consolidated financial statements), Telecom Argentina suspended the acquisition of treasury shares and its Board of Directors considered appropriate to request the opinion of the CNV on the applicability of the new provisions contained in the rules issued by that entity (Title II, Chapter I, Art.13 and concurring) with respect to the continuation of the Treasury Shares Acquisition Program.

The CNV did not answer the Company's request and the Telecom Argentina's Board of Directors, at its meeting held on May 8, 2014, decided to conclude the request considering that the Treasury Shares Acquisition Program finished on April 30, 2014, which had been approved by Telecom Argentina's Board of Directors Meeting held on May 22, 2013.

Telecom Argentina's Board of Directors, at its meeting held on June 27, 2014, decided to request a new opinion from the CNV to confirm whether Telecom Argentina is obliged to refrain from acquiring treasury shares in the market under Section 13, Chapter I, Title II of the CNV rules (NT 2013).

Table of Contents

Pursuant to Section 67 of Law No. 26,831, the Company must sell its treasury shares within three years of the date of acquisition. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings. No restrictions apply to Retained Earnings as a result of the creation of a specific reserve for such purposes named Voluntary Reserve for Capital Investments, which, as of March 31, 2016 amounted to \$3,191. On April 29, 2016, the Ordinary and Extraordinary Shareholders' Meeting approved an additional 3-year extension for the disposal due date of treasury shares provided by Section 67 of Law No. 26,831.

As of March 31, 2016, the Company owns 15,221,373 treasury shares, representing 1.55% of its total capital. The acquisition cost of these shares in the market amounted to \$461.

**NOTE 8 RESTRICTIONS ON DISTRIBUTION OF PROFITS**

The Company is subject to certain restrictions on the distribution of profits. Under the LGS, the by-laws of the Company and rules and regulations of the CNV, a minimum of 5% of net income for the year in accordance with the statutory books, plus/less previous years adjustments and accumulated losses, if any, must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock). On May 21, 2014, Telecom Argentina reached the maximum amount of its Legal Reserve according to LGS and CNV provisions previously disclosed.

**NOTE 9 SELECTED CONSOLIDATED QUARTERLY INFORMATION**

| Quarter                         | Revenues      | Operating<br>income before<br>D&A | Operating<br>income | Financial<br>results, net | Net<br>income | Net income<br>attributable<br>to Telecom<br>Argentina |
|---------------------------------|---------------|-----------------------------------|---------------------|---------------------------|---------------|-------------------------------------------------------|
| <b><u>Fiscal year 2015:</u></b> |               |                                   |                     |                           |               |                                                       |
| March 31,                       | 8,872         | 2,634                             | 1,680               | (89)                      | 1,041         | 1,028                                                 |
| June 30,                        | 9,624         | 2,501                             | 1,468               | (30)                      | 937           | 928                                                   |
| September 30,                   | 10,094        | 2,529                             | 1,311               | (73)                      | 800           | 801                                                   |
| December 31,                    | 11,906        | 3,202                             | 1,770               | (910)                     | 657           | 646                                                   |
|                                 | <b>40,496</b> | <b>10,866</b>                     | <b>6,229</b>        | <b>(1,102)</b>            | <b>3,435</b>  | <b>3,403</b>                                          |
| <b><u>Fiscal year 2016:</u></b> |               |                                   |                     |                           |               |                                                       |
| March 31,                       | 12,455        | 3,394                             | 1,997               | (557)                     | 935           | 925                                                   |
|                                 | <b>12,455</b> | <b>3,394</b>                      | <b>1,997</b>        | <b>(557)</b>              | <b>935</b>    | <b>925</b>                                            |

**NOTE 10 RECENT DEVELOPMENTS CORRESPONDING TO THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 FOR THE TELECOM GROUP**a) **Change of indirect parent company of the Telecom Group**

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On November 14, 2013, Telecom Italia S.p.A and Telecom Italia International N.V. (jointly, the Sellers ) and Tierra Argentea (a company controlled by the Sellers) announced the acceptance of an offer by Fintech Telecom LLC to acquire the controlling stake held by the Telecom Italia Group in Telecom Argentina, owned by the Sellers, through its subsidiaries Sofora, Nortel and Tierra Argentea. Closing of the transfer of the Telecom Italia Group s shares in Sofora was subject to certain required regulatory authorizations.

On December 10, 2013, Tierra Argentea transferred to Fintech Telecom LLC Telecom Argentina s Class B shares representing 1.58% of Telecom Argentina s capital stock and Nortel s ADRs representing 8% of Nortel s Preferred Class B Shares.

On October 25, 2014, Telecom Italia S.p.A. announced its acceptance of an offer by Fintech Telecom LLC to amend and restate the agreement announced on November 14, 2013. Within the frame of this amendment agreement: 1) on October 29, 2014 Telecom Italia International N.V. transferred 17% of Sofora s capital stock to Fintech Telecom LLC; 2) it was confirmed that the transfer of the 51% controlling interest in Sofora was subject to the prior approval of the telecommunications regulatory authority (previously the SC, then the AFTIC and currently the ENACOM).

On October 16, 2015, AFTIC s Resolution No. 491/2015 was published in the Official Bulletin, denying authorization for the transfer of Telecom Italia s controlling equity interest in Sofora to Fintech. Such Resolution was challenged in several opportunities by Fintech, the Sellers, W de Argentina Inversiones S.A., Telecom Argentina and Personal.

Table of Contents

On February 17, 2016 Telecom Argentina was notified of ENACOM Resolution No. 64/16 pursuant to which ENACOM partially revoked AFTIC Resolution No. 491/15 and decided to continue analyzing the transfer of Telecom Italia Group's shares in Sofora.

On February 24, 2016, Telecom Argentina was notified of Fintech Telecom LLC's intention to launch a Mandatory Tender Offer (the OPA) resulting from a change of control event for all Class B common shares of Telecom Argentina listed on the Buenos Aires Securities Market, or Mercado de Valores de Buenos Aires S.A. The OPA's background and purpose, price, timing and terms of acceptance, and details of the facts that condition its performance, are described in an OPA notice published in the newspaper *El Cronista Comercial* on February 24, 2016, in page No.5.

On March 7, 2016, ENACOM Resolution No. 277/16 authorized Fintech's acquisition of 51% of Sofora's shares of common stock, and on March 8, 2016, the transfer of Telecom Italia Group's 51% stake in Sofora to Fintech was closed.

On March 8, 2016, the new members of the Board of Directors of Telecom Argentina and Personal appointed by Fintech replaced the members of such Boards of Directors appointed by the Telecom Italia Group. The Personal's Unanimous General Ordinary and Extraordinary Shareholders Meeting held on March 29, 2016 and the Telecom Argentina's General Ordinary and Extraordinary Shareholders Meeting held on April 8, 2016 approved, among other items, the performance of duties of the directors and alternate directors and the members of the Supervisory Committee appointed by the Sellers in such companies and appointed new directors and alternate directors and members of the Supervisory Committee to cover the vacancy generated by those appointed by the Sellers. This new directors and alternate directors and members of the Supervisory Committee would hold their positions until the next Shareholders Meetings that would consider the financial statements as of December 31, 2015.

On March 8, 2016 the change of Sofora's controlling shareholder became effective and, accordingly, the Telecom Italia Group ceased being the Company's indirect controlling shareholder (position assumed by Fintech). Based on such facts, on April 15, 2016 Telecom Argentina and Personal notified the CNCD that the *Telco and TI-W Commitments have become moot and have completely lost its cause and purpose*.

Additional information regarding the transaction between the Telecom Italia Group and Fintech as well as the OPA promoted by Fintech is available in the *Relevant Facts* section of the CNV at [www.cnv.gob.ar](http://www.cnv.gob.ar), and in the *Company filings* section (Telecom Italia S.p.A and Telecom Argentina) of the SEC at [www.sec.gov](http://www.sec.gov).

***b) Company filings to the Regulatory Authority under the LAD***

On February 1, 2016, the Company informed the ENACOM, that effective May 15, 2016, the new rate of SBT for residential segment will be \$50 Argentine pesos (plus VAT) and that the *Retired customer's* category will have a discount of 50% on the mentioned new rate.

However, on March 11, 2016, the Company informed the ENACOM that the new rate of SBT for the residential segment will be \$38 Argentine pesos (plus VAT) since May 1st, 2016, in response to a collaboration request made by the Regulatory Authority taking into



consideration the special circumstances of the current macroeconomic environment in Argentina.

As of the date of these consolidated financial statements, Telecom Argentina has communicated the new rate to its affected customers.

c) **Resolutions of the Ordinary Shareholders Meeting of Núcleo**

Núcleo s General Ordinary Shareholders Meeting held on March 29, 2016 resolved, among other items, the following:

1. To approve Núcleo s Annual Report and financial statements as of December 31, 2015,
2. To appoint new members and alternate members of the Board of Directors and of the Supervisory Committee,
3. To allocate all net income of fiscal year 2015 to Retained Earnings.

d) **Decreto No. 267/15 Amendments to the LAD**

Article 28 of Decree of Need and Urgency ( Decreto de Necesidad y Urgencia or hereinafter the DNU ) No. 267/15 created, within the Ministry of Communications, the Commission for the Preparation of the Reform, Update and Unification Draft Law of Laws No. 26,522 and 27,078 ( the Commission ). The Commission will be responsible for the study of both laws reforms under the principles established therein.

Table of Contents

On April 15, 2016, the Communication Ministry through Resolution No. 9/16 stated that the Commission shall be composed by 6 members and 1 Secretary, who will perform their duties ad honorem. The Resolution also appointed its members. The Commission should submit a pre-draft of reform, updating and adaptation of a unified system of the Regulatory Framework Law for the Telecommunications and Audiovisual Communication Services in Argentina, within the 180 days from the date of its constitution. This term could be extended at the Commission's request.

According to Law No. 26,122, rejection of a Decree by both Chambers of Congress would repeal the Decree, while upholding the rights acquired during its enforcement (Article 24 of Law No. 26,122). On April 8, 2016, the Congress voted in favor of the validity of the DNU No. 267/15, so it has entered into force.

**NOTE 11 SUBSEQUENT EVENTS TO MARCH 31, 2016**

a) **Resolutions of the Unanimous Ordinary and Extraordinary Shareholders Meeting of Personal**

Personal Unanimous Ordinary and Extraordinary Shareholders Meeting held on April 14, 2016 resolved, among other items, the following:

1. To approve Personal's Annual Report and financial statements as of December 31, 2015;
2. To increase in \$2,839 the Reserve for future cash dividends (equivalent to the remaining Retained Earnings as of December 31, 2015); and
3. To authorize Personal's Board of Directors to determine the time, terms and conditions of the allocation and distribution of such reserve.

Personal's Board of Directors, at its meeting held on April 26, 2016, resolved to allocate the above mentioned Reserve to a cash dividend distribution for an amount of \$1,300. The mentioned cash dividends will be available to shareholders starting May 13, 2016.

b) **Partial repayment of capital stock of Micro Sistemas**

Considering that as of December 31, 2015 Micro Sistemas fell under the provisions of section 206 of the LGS, which requires a mandatory reduction of capital stock, the Shareholders Meeting of Micro Sistemas held on April 12, 2016, approved a partial repayment of capital stock amounting to \$250,000 Argentine peso. This partial repayment will allow Micro Sistemas to overcome its inclusion in the provisions of section 206 of the LGS and to strengthen its equity. The mentioned partial repayment became effective on April 19, 2016 through a bank deposit.

c) **Resolutions of the General Ordinary and Extraordinary Shareholders Meeting of the Company**

The Company's General Ordinary and Extraordinary Shareholders Meeting held on April 29, 2016, resolved, among other items, the following:

1. To approve Telecom Argentina's Annual Report and financial statements as of December 31, 2015;
2. The constitution of a Reserve for future cash dividends amounting to \$3,403 (equivalent to the total Retained Earnings as of December 31, 2015); and
3. To authorize Telecom Argentina's Board of Directors to determine the allocation and distribution of such reserve according to business development, in one or several installments of up to \$2,000, to be distributed to shareholders as cash dividends payable during 2016.

Telecom Argentina's Board of Directors, at its meeting held on April 29, 2016, resolved to allocate \$2,000 of the mentioned Reserve to a cash dividend distribution in two installments: \$700 that will be available to shareholders as from May 13, 2016 and \$1,300 that will be available to shareholders during August 2016 (the specific date will be decided by the Company's Management).

Additionally, the Company's Board of Directors approved the appointment of Mr. Germán Vidal and Mr. Ignacio Morán to perform duties as CEO and CFO of the Telecom Group, respectively, starting on May 12, 2016.

Table of Contents

d) **Resolution No. 38/16 Mobile Virtual Operators Regulation**

Resolution No. 38/16, issued by the Ministry of Communications on May 5, 2016, approved the new Regulation of Virtual Mobile Operators ( VMO ) and repealed Resolution SC No. 68/14, which had approved the Regulation of Virtual Mobile Operators previously stated by the ex SC.

The mentioned Resolution provides that Network Mobile Operators ( NMO ), which have spectrum and infrastructure (among them, Personal), shall file, within 120 days since the Resolution issuance, a Reference Offer ( the RO ) for those interested in providing VMO services. The RO shall be annually published in the NMO and the Regulatory Authority institutional web sites, and shall provide the economical and technical conditions (that will be freely established between the parties, reasonable, and nondiscriminatory), clearly stating the price and conditions of the services to be provided.

This new Regulation applies for Mobile Communications Service (SCM), which includes Mobile Telephone Service (STM), Cellular Mobile Radiocommunications Service (SRMC), Personal Communications Service (PCS) and Mobile Advanced Communications Service (SCMA). The Resolution also provides the procedures for the Services Contracts subscription between the NMO and the VMO, which will state the terms and conditions for the NMO to provide the VMO telecommunications network access and, if needed, telecommunications network interconnection.

As of the date of issuance of these consolidated financial statements, Personal Management is assessing the legal, constitutional, operational, economic and financial impacts of the new Resolution.

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

**Mariano Ibáñez**  
**Chairman of the Board of Directors**

Table of Contents

Free translation from the original in Spanish for publication in Argentina

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

To the Shareholders, President and Directors of

Telecom Argentina S.A.

Legal address: Alicia Moreau de Justo 50

City of Buenos Aires

Tax Code No.: 30-63945373-8

**Introduction**

We have reviewed the accompanying condensed interim consolidated financial statements of Telecom Argentina S.A. and its subsidiaries ( Telecom or the Company ), which comprise the consolidated statement of financial position as of March 31, 2016, the consolidated statements of income and of comprehensive income for the three- month periods ended March 31,2016, the consolidated statements of changes in equity and of cash flows for the three- month period ended March 31, 2016 and selected explanatory notes.

The balances and other information for the fiscal year 2015 and interim periods are an integral part of the above-mentioned financial statements and therefore they should be considered in relation with those financial statements.

**Management Responsibility**

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, as approved by the International Accounting Standards Board (IASB), which have been adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated by the National Securities Commission (CNV) to its regulations and is therefore responsible for the preparation and presentation of the condensed interim consolidated financial statements mentioned in the first paragraph, in accordance with International Accounting Standard No. 34 Interim Financial Information (IAS 34).

**Scope of our review**

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Our review was limited to the application of the procedures established under International Standards on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity (ISRE 2410), approved by the International Auditing and Assurance Standards Board (IAASB) and adopted as a review standard in Argentina by Technical Pronouncement No. 33 of the FACPCE. A review of interim financial information consists of inquiries of Company personnel responsible for preparing the information included in the condensed interim consolidated financial statements and of analytical and other review procedures. This review is substantially less in scope than an audit performed in accordance with International Auditing Standards; consequently, a review does not enable us to obtain assurance that we would become aware of all significant matters that could be identified in an audit. Therefore, we do not express an opinion on the consolidated financial position, the consolidated comprehensive income and the consolidated cash flow of the Company.

### **Conclusion**

On the basis of our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements mentioned in the first paragraph of this report are not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

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Table of Contents

**Report on compliance with current regulations**

In compliance with provisions currently in force, we inform, as regards Telecom, that:

- a) The condensed interim consolidated financial statements of Telecom are transcribed into the Inventory and Balance Sheet book and are in compliance, as regards matters within our field of competence, with the provisions of the Commercial Companies Law and pertinent resolutions of the National Securities Commission;
- b) The separate condensed interim financial statements are derived from accounting records kept in their formal respects in conformity with legal provisions;
- c) We have read the Operating and financial review and prospects, on which, as regards those matters that are within our competence, we have no observations to make;
- d) As of March 31, 2016, the debt of Telecom accrued in favor of the Argentine Integrated Social Security System, as shown by the Company's accounting records, amounted to \$132,865,632.65 and was not due at that date.

City of Buenos Aires, May 9, 2016

PRICE WATERHOUSE & CO. S.R.L.

/s/ Mario A. Julio (Partner)  
C.P.C.E.C.A.B.A. T° 1 F° 17  
Mario A. Julio  
Public Accountant (UBA)  
C.P.C.E.C.A.B.A. T° 323 F° 222

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Table of Contents

**CORPORATE INFORMATION**

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

**BCBA**

| Quarter | Market quotation (\$/share) |       | Volume of shares traded (in millions) |
|---------|-----------------------------|-------|---------------------------------------|
|         | High                        | Low   |                                       |
| 1Q15    | 63.00                       | 45.15 | 3.1                                   |
| 2Q15    | 55.00                       | 44.45 | 2.4                                   |
| 3Q15    | 49.50                       | 38.50 | 3.8                                   |
| 4Q15    | 56.95                       | 39.25 | 4.8                                   |
| 1Q16    | 58.75                       | 38.50 | 4.4                                   |

**NYSE\***

| Quarter | Market quotation (US\$/ADS*) |       | Volume of ADSs traded (in millions) |
|---------|------------------------------|-------|-------------------------------------|
|         | High                         | Low   |                                     |
| 1Q15    | 26.04                        | 18.85 | 8.8                                 |
| 2Q15    | 22.87                        | 17.95 | 9.2                                 |
| 3Q15    | 18.69                        | 13.85 | 8.8                                 |
| 4Q15    | 19.99                        | 13.90 | 12.6                                |
| 1Q16    | 19.10                        | 14.44 | 6.8                                 |

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\* Calculated at 1 ADS = 5 shares

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

**In Argentina**

Telecom Argentina S.A.

Investor Relations Division



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Alicia Moreau de Justo 50, 10th Floor

(1107) Autonomous City of Buenos Aires

Tel.: 54-11-4968-3628

Argentina

**Outside Argentina**

JP Morgan Chase

Latam ADR Sales & Relationship Mgmt.

4 New York Plaza, Floor 12

New York, NY 10004

USA

Tel.: 1-212-552-3729

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

- **DEPOSIT AND TRANSFER AGENT FOR ADSs**

J.P. Morgan Depositary Receipts

4 New York Plaza, Floor 12

New York, NY 10004

(866) JPM-ADRS

adr@jpmorgan.com    www.adr.com

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Table of Contents

SIGNATURES

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

**Telecom Argentina S.A.**

Date: June 10, 2016

By: /s/ Mariano Ibáñez  
Name:  
Title:

Mariano Ibáñez  
Chairman of the Board of Directors

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