

TELECOM ARGENTINA SA  
Form 6-K  
December 15, 2014  
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 December, 2014**

**Commission File Number: 001-13464**

**Telecom Argentina S.A.**

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

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

**Buenos Aires, Argentina**

**(Address of principal executive offices)**

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

Form 20-F  Form 40-F

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

Yes  No

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

Yes  No

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

Yes  No

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

**Table of Contents**

**Telecom Argentina S.A.**

TABLE OF CONTENTS

**Item**

1. Telecom Argentina S.A. Unaudited Condensed Consolidated Financial Statements as of September 30, 2014

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**TELECOM ARGENTINA S.A.**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2014**

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014  
AND 2013**

**INDEX**

**Operating and financial review and prospects as of September 30, 2014**

**Unaudited condensed consolidated financial statements**

Unaudited consolidated statements of financial position 1

Unaudited consolidated income statements 2

Unaudited consolidated statements of comprehensive income 3

Unaudited consolidated statements of changes in equity 4

Unaudited consolidated statements of cash flows 5

Notes to the unaudited condensed consolidated financial statements 6

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

**Corporate information**

Table of Contents**TELECOM ARGENTINA S.A.****OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014**

(In millions of Argentine pesos or as expressly indicated)

**1. General considerations**

As required by CNV regulations, the Company has prepared its consolidated financial statements as of September 30, 2014 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

**2. Telecom Group's activities for the nine-month periods ended September 30, 2014 ( 9M14 ) and 2013 ( 9M13 )**

Total revenues and other income for 9M14 amounted to \$24,223 (+22.0% vs. 9M13), operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E amounted to \$20,380 (+22.8% vs. 9M13), operating income before depreciation and amortization amounted to \$6,186 (+11.4 vs. 9M13) representing 25.6% of consolidated revenues and -240 bp vs. 9M13, operating income amounted to \$3,843 (+17.8% vs. 9M13) and net income amounted to \$2,684 (+13.7% vs. 9M13). Net income attributable to Telecom Argentina amounted to \$2,644 in 9M14 (+13.8% vs. 9M13).

|  | 9M14         | 9M13         | Variation  |             |
|--|--------------|--------------|------------|-------------|
|  |              |              | \$         | %           |
| Revenues   | 24,183       | 19,827       | 4,356      | 22.0        |
| Other income   | 40           | 26           | 14         | 53.8        |
| Operating costs without depreciation and amortization        | (18,037)     | (14,299)     | (3,738)    | 26.1        |
| <b>Operating income before depreciation and amortization</b> | <b>6,186</b> | <b>5,554</b> | <b>632</b> | <b>11.4</b> |
| Depreciation and amortization                                | (2,354)      | (2,130)      | (224)      | 10.5        |
| Gain on disposal of PP&E and impairment of PP&E              | 11           | (161)        | 172        | n/a         |
| <b>Operating income</b>                                      | <b>3,843</b> | <b>3,263</b> | <b>580</b> | <b>17.8</b> |
| Financial results, net                                       | 230          | 377          | (147)      | (39.0)      |
| <b>Income before income tax expense</b>                      | <b>4,073</b> | <b>3,640</b> | <b>433</b> | <b>11.9</b> |
| Income tax expense   | (1,389)      | (1,279)      | (110)      | 8.6         |
| <b>Net income</b>  | <b>2,684</b> | <b>2,361</b> | <b>323</b> | <b>13.7</b> |

**Attributable to:**

|   |              |              |            |             |
|---|--------------|--------------|------------|-------------|
| Telecom Argentina (Controlling Company) | 2,644        | 2,324        | 320        | 13.8        |
| Non-controlling interest                | 40           | 37           | 3          | 8.1         |
|   | <b>2,684</b> | <b>2,361</b> | <b>323</b> | <b>13.7</b> |

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

**2.73      2.37**

**Total revenues and other income**

During 9M14 consolidated total revenues increased 22,0% (+\$4,356 vs. 9M13) amounting to \$24,183 mainly fueled by the Broadband, data transmission and mobile businesses, while consolidated other income increased 53.8% (+\$14 vs. 9M13), mainly due to penalties imposed to suppliers in the Fixed Services segment and income from prescribing obligations from Personal.

|  | 9M14          | 9M13          | Variation    |             |
|--|---------------|---------------|--------------|-------------|
|  |               |               | \$           | %           |
| <b><u>Services</u></b>                   |               |               |              |             |
| Voice Retail                             | 2,109         | 1,969         | 140          | 7.1         |
| Voice Wholesale                          | 681           | 580           | 101          | 17.4        |
| Internet                                 | 2,345         | 1,827         | 518          | 28.4        |
| Data                                     | 1,063         | 689           | 374          | 54.3        |
| <b>Subtotal Fixed Services</b>           | <b>6,198</b>  | <b>5,065</b>  | <b>1,133</b> | <b>22.4</b> |
| Voice Retail                             | 3,830         | 3,538         | 292          | 8.3         |
| Voice Wholesale                          | 1,456         | 1,419         | 37           | 2.6         |
| Internet                                 | 2,294         | 1,472         | 822          | 55.8        |
| Data                                     | 5,692         | 5,333         | 359          | 6.7         |
| <b>Subtotal Personal Mobile Services</b> | <b>13,272</b> | <b>11,762</b> | <b>1,510</b> | <b>12.8</b> |
| Voice Retail                             | 435           | 273           | 162          | 59.3        |
| Voice Wholesale                          | 94            | 87            | 7            | 8.0         |
| Internet                                 | 321           | 193           | 128          | 66.3        |
| Data                                     | 248           | 234           | 14           | 6.0         |
| <b>Subtotal Núcleo Mobile Services</b>   | <b>1,098</b>  | <b>787</b>    | <b>311</b>   | <b>39.5</b> |
| <b>Total services revenues</b>           | <b>20,568</b> | <b>17,614</b> | <b>2,954</b> | <b>16.8</b> |
| <b><u>Equipment</u></b>                  |               |               |              |             |
| Fixed Services                           | 44            | 49            | (5)          | (10.2)      |
| Personal Mobile Services                 | 3,515         | 2,109         | 1,406        | 66.7        |
| Núcleo Mobile Services                   | 56            | 55            | 1            | 1.8         |
| <b>Total equipment revenues</b>          | <b>3,615</b>  | <b>2,213</b>  | <b>1,402</b> | <b>63.4</b> |
| <b>Total revenues</b>                    | <b>24,183</b> | <b>19,827</b> | <b>4,356</b> | <b>22.0</b> |

*OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014*





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**Table of Contents**

**TELECOM ARGENTINA S.A.**

Services revenues amounted to \$20,568 (+16.8% vs. 9M13) and represented 85.1 % of consolidated revenues (vs. 88.8% in 9M13). Equipment revenues increased 63.4%, amounting to \$3,615 and represented 14.9% of consolidated revenues (vs. 11.2% in 9M13).

**Fixed Services**

During 9M14, services revenues generated by this segment amounted to \$6,198 (+\$1,133 or 22.4% vs. 9M13), where Internet revenues have grown the most (+\$518 or 28.4% vs. 9M13), followed by data transmission services (+\$374 or 54.3% vs. 9M13) and voice retail services (+\$140 or 7.1% vs. 9M13).

**Voice**

Voice retail revenues amounted to \$2,109 in 9M14 (+7.1% vs. 9M13). The results of this line of business are still affected by frozen tariffs of regulated services. Revenues from regulated services reached approximately 29% of the segment services revenues in 9M14 (vs. 33% in 9M13).

Monthly Charges and Supplementary Services increased \$62 or 7.4% vs. 9M13, to \$895, as a consequence of an increase in supplementary services (not regulated), mainly due to an increase of their prices and, to a lesser extent, to the increase in the subscriber base.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$1,131 (+\$102 or 9.9% vs. 9M13), mainly due to the increase in customers and domestic plans prices and the increase in customers and long national distance plans prices. According to this, DLD revenues increased 10.9% vs. 9M13 and revenues from local measured service increased 10.6% vs. 9M13. The Average Monthly Revenue per User ( ARBU ) amounted to \$56.5 pesos per month in 9M14 vs. \$51.8 pesos per month in 9M13, representing an increase of 9.1%. The remaining retail voice revenues amounted to \$83 in 9M14 (-22.4% vs. 9M13). The decrease was mainly due to a decrease in consumption and customers of public telecommunication services and a decrease in rehabilitation and one-time charges.

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 \$72) amounted to \$681 in 9M14 (+17.4% vs. 9M13). Interconnection fixed and mobile revenues amounted to \$453 (+12.1% vs. 9M13 as a result of the general increase in prices and, to a lower extent, by a slight increase in traffic with mobile operators). The other wholesale revenues amounted to \$228 in 9M14 (+29.5% vs. 9M13), mainly due to higher prices related to cell sites rentals due to the variation of the \$/US\$ exchange rate.

**Internet**

Internet revenues amounted to \$2,345 (+\$518 or 28.4% vs. 9M13) mainly due to the expansion of the Broadband service (+4.9% of customers vs. 9M13) and an increase in average prices resulting in an improvement in the Average

Monthly Revenue per User ( ARPU ), that amounted to \$148.1 pesos per month in 9M14 vs. \$121.4 pesos per month in 9M13 (+22.0% vs. 9M13). As of September 30, 2014, Telecom Argentina reached approximately 1,750,000 ADSL customers. These connections represent approximately 42.6% of Telecom Argentina s fixed lines in service (vs. 40.5% in 9M13). The churn rate per month amounted to 1.3% in 9M14 (vs. 1.5% in 9M13).

Internet revenues represent 9.7% of consolidated revenues (9.2% 9M13) and 37.8% of Fixed Services segment revenues (vs. 36.1 % in 9M13).

***Data***

Data transmission revenues amounted to \$1,063 (+\$374 vs. 9M13), of which \$4 were generated by the subsidiary Telecom USA. 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 higher prices related to the variation of the \$/US\$ exchange rate, the increase of IP transit services customers, VPN IP services customers (private data networks services that replaces the point to point services) and IP direct lines customers in the retail segment, to the increase in customers and higher prices related to the variation of the \$/US\$ exchange rate of Integra services, mainly in the Large Customer segment, to higher prices related to the variation of the \$/US\$ exchange rate of the VPN-IP services in the Wholesale segment and to an increase in the number of subscribers and in prices of monthly charges related to the variation of the \$/US\$ exchange rate of Datacenter services (especially in Hosting and Housing services).

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**Personal Mobile Services**

During 9M14, total services revenues amounted to \$13,272, (+\$1,510 or 12.8% vs. 9M13), being the principal business segment in revenues terms (64.5 % and 66.8% of services consolidated revenues in 9M14 and 9M13, respectively). Personal reached 19.8 million subscribers in Argentina (-0.4% vs. 9M13). Approximately 68% of the subscriber base is prepaid subscribers and 32% is postpaid subscribers (including Cuentas claras plans and Mobile Internet dongles). The churn rate per month amounted to 3.0% in 9M14 (vs. 2.7% in 9M13).

**Voice**

Voice retail revenues amounted to \$3,830 in 9M14 (+8.3% vs. 9M13). The increase was mainly due to the increase in monthly charges prices and, to a lower extent, to lines billed and to the increase in the prepaid and Cuentas claras subscriber base, partially offset by a decrease in postpaid subscribers. Traffic voice sales decreased \$279 or 18.6% vs. 9M13 mainly due to the decrease of the Minutes of Use ( MOU ). The MOU amounted to \$97.6 pesos per month in 9M14 as compared to \$111.4 pesos per month amounted in 9M13, representing a decrease of 12.4%, which was mainly generated by the prepaid segment.

Voice wholesale revenues amounted to \$1,456 in 9M14 (+2.6% vs. 9M13). The increase was mainly due to the increase of mobile leases related to new agreements and to the renegotiation of the existing ones and to the increase in roaming revenues with other operators.

**Internet**

Mobile Internet revenues amounted to \$2,294 (+\$822 or 55.8% vs. 9M13). 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 handsets (47.2% in 9M14 vs. 40.7% in 9M13), which facilitate Internet browsing. Internet flat rate services revenues have decreased mainly due to the decrease of Mobile Internet dongles subscribers (-32% vs.9M13).

**Data**

Mobile data services revenues amounted to \$5,692 (+\$359 or 6.7% vs. 9M13). This increase was mainly due to the constant SMS with contents sales increase as a result of several campaigns launched by Personal, which represented an inter-annual increase of \$518 vs. 9M13. This increase was reflected both in monthly charges customers and prepaid subscribers and is mainly due to average prices increases and, to a lesser extent, to the increase of the subscribers base. However, the main component of VAS revenues are SMS consumption, which decreased \$144 or 4.0% vs. 9M13, and experiencing a decrease in TOU (-38.4% vs. 9M13).

As a consequence of the increase in VAS use (especially Internet browsing and SMS with contents), ARPU increased to \$71.7 pesos per month in 9M14 (vs. \$66.1 pesos per month in 9M13), which represents an increase of 8.5%.

VAS revenues (data and Internet) amounted to \$7,986 (+17.4% vs. 9M13) and represented 60.2% of Personal Mobile Services services revenues (vs. 57.9% in 9M13).

### **Núcleo Mobile Services**

This segment generated services revenues equivalent to \$1,098 during 9M14 (+\$311 or 39.5% vs. 9M13) mainly due to the appreciation of the Guaraní respect to the Argentine peso (+44% inter-annual), generating a positive effect in Núcleo's revenues conversion (revenues in Guaranies in 9M14 were lower than 9M13), and to the Internet revenues increase over the mentioned conversion effect, mainly related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of September 30, 2014, Núcleo's subscriber base reached 2.4 million customers during 9M14. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 80% and 20% in 9M14, respectively. The MOU amounted to \$56.0 pesos per month in 9M14 as compared to \$61.7 pesos per month in 9M13, representing a decrease of 9.2%, which generated a decrease in voice traffic of approximately 7.8% in Guaranies, especially in the prepaid segment.

VAS revenues (data and Internet) amounted to \$569 (+33.3% vs. 9M13) and represented 51.8% of Núcleo Mobile Services segment services revenues (vs. 54.3% in 9M13).

## ***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

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

Revenues from equipment amounted to \$3,615, +\$1,402 or 63.4% vs. 9M13. This increase is mainly related to the Personal Mobile services segment with an increase of \$1,406 vs. 9M13. The increase was mainly due to an increase in handset s average sale prices (+90.9 % vs. 9M13), partially offset by lower handsets sold (-11.9% vs. 9M13). This situation was mainly generated by a subsidy reduction policy, the increase in average prices related to higher-value handsets demand (those with 3G browsing aptitude), the business strategy to attract high-value subscribers, a decrease in discounts as a result of the finalization of commercial promotions and lower retail revenues. In the Núcleo Mobile Services segment the increase was mainly due to an increase in the handsets sold, partially offset by the effect of the appreciation of the Guaraní respect to the Argentine peso. The equipment sale result amounted to a gain of \$496 in 9M14 vs. a gain of \$44 in 9M13, net of \$83 and \$223 of SAC capitalization, respectively.

**Operating costs**

Consolidated operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E totaled \$20,380 in 9M14, which represents an increase of \$3,790 or +22.8% vs. 9M13. 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 the cost of equipment and handsets, the increase in taxes and fees with the Regulatory Matters, the increase of VAS costs, the effect of the appreciation of the Guaraní (+44% inter-annual) respect to the Argentine peso, affecting the operations in Paraguay, a decrease of \$123 in provisions charges and an increase of \$267 in agent commissions capitalized as SAC, which partially mitigated the increase in operating costs.

|   | 9M14    | 9M13    | Variation |      | Variation in \$ by segment |          |                 |
|---|---------|---------|-----------|------|----------------------------|----------|-----------------|
|   |         |         | \$        | %    | Fixed Serv.                | M. Serv. | Núcleo M. Serv. |
| Employee benefit expenses and severance payments          | (4,002) | (2,996) | (1,006)   | 33.6 | (748)                      | (230)    | (28)            |
| Interconnection costs and other telecommunication charges | (1,536) | (1,386) | (150)     | 10.8 | (93)                       | (40)     | (17)            |
| Fees for services, maintenance, materials and supplies    | (2,482) | (1,877) | (605)     | 32.2 | (249)                      | (328)    | (28)            |
| Taxes and fees with the Regulatory Authority              | (2,399) | (1,954) | (445)     | 22.8 | (103)                      | (332)    | (10)            |
| Commissions   | (2,421) | (1,974) | (447)     | 22.6 | (41)                       | (373)    | (33)            |
| Agent commissions capitalized as SAC                      | 634     | 367     | 267       | 72.8 | 18                         | 244      | 5               |
| Cost of equipment and handsets                            | (3,202) | (2,392) | (810)     | 33.9 | (1)                        | (795)    | (14)            |

|  |                 |                 |                |             |                |                |              |
|--|-----------------|-----------------|----------------|-------------|----------------|----------------|--------------|
| Cost of equipment and handsets capitalized as SAC  | 83              | 223             | (140)          | (62.8)      |                | (147)          | 7            |
| Advertising  | (512)           | (452)           | (60)           | 13.3        | (1)            | (42)           | (17)         |
| Cost of VAS  | (679)           | (503)           | (176)          | 35.0        | (5)            | (152)          | (19)         |
| Provisions   | (102)           | (225)           | 123            | (54.7)      | 101            | 22             |              |
| Bad debt expenses                                  | (327)           | (221)           | (106)          | 48.0        | (21)           | (74)           | (11)         |
| Other operating expenses                           | (1,092)         | (909)           | (183)          | 20.1        | (77)           | (84)           | (22)         |
| <b>Subtotal</b>                                    | <b>(18,037)</b> | <b>(14,299)</b> | <b>(3,738)</b> | <b>26.1</b> | <b>(1,220)</b> | <b>(2,331)</b> | <b>(187)</b> |
| Depreciation of PP&E                               | (1,740)         | (1,447)         | (293)          | 20.2        | (132)          | (72)           | (89)         |
| Amortization of SAC and service connection charges | (596)           | (665)           | 69             | (10.4)      | (24)           | 111            | (18)         |
| Amortization of other intangible assets            | (18)            | (18)            |                |             |                |                |              |
| Gain on disposal of PP&E and impairment of PP&E    | 11              | (161)           | 172            | n/a         | 119            | 54             | (1)          |
| <b>Total operating costs</b>                       | <b>(20,380)</b> | <b>(16,590)</b> | <b>(3,790)</b> | <b>22.8</b> | <b>(1,257)</b> | <b>(2,238)</b> | <b>(295)</b> |

The costs breakdown is as follows:

**Employee benefit expenses and severance payments**

Employee benefit expenses and severance payments amounted to \$4,002 (+\$1,006 or 33.6% vs. 9M13). 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 and to increases in severance payments (+\$104 or 104.0% vs. 9M13). With a total headcount of 16,540 by the end of 9M14, (vs. 16,660 employees in 9M13), between employees and eventual employees, lines in service per employee reached 370 in the Fixed Services segment (slightly lower than 9M13), subscribers per employee reached 3,935 in the Personal Mobile Services segment (+2.5% vs. 9M13) and subscribers per employee reached 5,817 (+4.9% vs. 9M13) in the Núcleo Mobile Services segment.

**Interconnection costs and other telecommunication charges**

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, Interconnection costs, cost of international outbound calls and lease of circuits) amounted to \$1,536 (+\$150 or 10.8% vs. 9M13). The increase was mainly due to higher traffic volume in the international market (TLRD traffic remained stable vs. 9M13).

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

**Table of Contents**

**TELECOM ARGENTINA S.A.**

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

Fees for services, maintenance, materials and supplies amounted to \$2,482, +\$605 or 32.2% vs. 9M13. The increase was mainly due to higher maintenance costs of radio bases, systems and buildings 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 maintenance costs and higher costs of building maintenance. There were also increases in other maintenance costs and fees for services, mainly due to higher costs recognized to suppliers in all segments.

**Taxes and fees with the Regulatory Authority**

Taxes and fees with the Regulatory Authority (including turnover tax, fees with the Regulatory Authority, IDC, municipal and other taxes) amounted to \$2,399 (+22.8% vs. 9M13), influenced mainly by the increase in revenues of fixed and mobile services, by the increase in equipment sales in Argentina, by the increase of the IDC related to the dividends payment and by higher collections and payments to suppliers in 9M14 vs. 9M13.

**Commissions**

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$2,421 (+\$447 or 22.6% vs. 9M13). 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, especially of handsets sold, partially offset by lower prepaid cards sales and lower prepaid recharges.

On the other hand, agent commissions capitalized as SAC amounted to \$634, +\$267 or 72.8% vs. 9M13, and it is 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 \$3,202 (+\$810 or 33.9% vs. 9M13) mainly due to an increase in the average unit cost of sales (+54.7% vs. 9M13), partially offset by a decrease in the units of handsets sold (-11.9% vs. 9M13) in the Personal Mobile Services segment.

On the other hand, SAC deferred costs from handsets sold amounted to \$83, -\$140 or -62.8% vs. 9M13. The lower capitalized amount was mainly due to the significant reduction of subsidies provided to customers in the Personal Mobile Services segment, especially in the Cuentas claras segment.

**Advertising**

Advertising amounted to \$512 (+\$60 or 13.3% vs. 9M13), mainly due to higher commercial campaigns of Personal as compared to 9M13.



**Cost of VAS**

Cost of VAS amounted to \$679 (+\$176 or 35.0% vs. 9M13). 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 \$518 as compared to 9M13, as a consequence of several campaigns launched by Personal.

**Provisions**

Provisions amounted to \$102, -\$123 or 54.7% vs. 9M13. The decrease was mainly due to lower regulatory and municipal claims (-\$103 vs. 9M13) and lower civil and commercial claims (\$23 vs. 9M13), partially offset by higher labor claims (\$3 vs. 9M13).

**Bad debt expenses**

Bad debt expenses amounted to \$327 (+\$106 or 48.0% vs. 9M13), representing approximately 1.4% and 1.1% of the consolidated revenues in 9M14 and 9M13, respectively. The major increase is observed in the Personal Mobile Services segment by \$74 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 also increased in Telecom Argentina by \$13 in the Government and Corporate segment.

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

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**Table of Contents****TELECOM ARGENTINA S.A.****Other operating costs**

Other operating costs amounted to \$1,092 (+\$183 or 20.1% vs. 9M13). The increase was mainly due to higher prices on related services, especially in transportation, freight and travel expenses (+\$76 or 23.4% vs. 9M13), among others, in the operations in Argentina; and the increase of rent prices (+\$74 or 32.9% vs. 9M13), as a result of new agreements and the renegotiation of some of the existing ones.

**Operating income before depreciation and amortization**

Operating income before depreciation and amortization amounted to \$6,186 (+\$632 or 11.4% vs. 9M13), representing 25.6% of consolidated revenues in 9M14 (vs. 28.0% in 9M13). This growth was mainly fueled by the Fixed Services segment (+\$274 or +21.6% vs. 9M13) and Personal Mobile Services segment (+\$238 or 6.0% vs. 9M13).

Operating income before depreciation and amortization generated by equipment and handset sales (including SAC capitalization) amounted to \$496 in 9M14 vs. \$44 in 9M13 (+\$452 or 1,027.3% vs. 9M13), while operating income before depreciation and amortization generated by services sales amounted to \$5,690 in 9M14 vs. \$5,510 in 9M13 (+\$180 or 3.3% vs. 9M13).

**Depreciation and amortization**

Depreciation and amortization amounted to \$2,354 (+\$224 or +10.5% vs. 9M13). The increase in PP&E depreciation amounted to \$293 partially offset by a decrease in amortization of SAC and service connection costs of \$69 due to lower levels of capitalization of subsidies from the sale of mobile handsets and the extension of the contractual terms for mobile customers from 18 to 24 months. The increase in depreciation and amortization corresponds 70% to the Fixed Services segment and 30% to the mobile services segments.

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

Gain on disposal of PP&E amounted to \$11 in 9M14 and 9M13, and was mainly related to the Fixed Services segment. The 9M13 included an impairment of PP&E that amounted to \$172 and was mainly related to the discontinuation of a commercial system of Personal (amounting to \$50) and to the write-down of some projects of Telecom Argentina that presented uncertainty regarding their development and future associated cash flows (amounting to \$122).

**Operating income**

Operating income amounted to \$3,843 in 9M14 (+\$580 or 17.8% vs. 9M13). The margin over consolidated revenues represented 15.9% in 9M14 (vs. 16.5% in 9M13). This growth was mainly fueled by the Personal Mobile Services segment (+\$331 or 12.2% vs. 9M13) and the Fixed Services segment (+\$237 or 57.7% vs. 9M13).

If the impairment of PP&E recorded in 9M13 was excluded, the operating income increase would have been 11.9% vs. 9M13.

**Financial results, net**

Financial results, net resulted in a net gain of \$230, representing a decrease of \$147 vs. 9M13. The decrease was mainly due to higher foreign currency exchange losses (+\$74 vs. 9M13), higher interests on provisions (+\$42 vs. 9M13), higher losses on NDF (+\$34 vs. 9M13) and lower financial interest on time deposits and other investments including Interest on related parties (-\$70 vs. 9M13), partially offset by higher gains on mutual funds (+\$67 vs. 9M13) and higher interests on receivables (+\$29 vs. 9M13).

**Net income**

Telecom Argentina reached a net income of \$2,684 in 9M14, +\$323 or +13.7% as compared to 9M13. Net income attributable to Telecom Argentina amounted to \$2,644 in 9M14, +\$320 or +13.8% as compared to 9M13.

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

**Table of Contents****TELECOM ARGENTINA S.A.****Net financial assets**

As of September 30, 2014, Net financial assets (Cash and Cash Equivalents plus financial investments minus Financial debt) amounted to \$3,526, showing a decrease of \$2,158 as compared to September 30, 2013 (amounting to \$5,684). 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 equipment and handsets acquisitions affected by the devaluation of the Argentine peso vs. the US dollar, higher income tax payments, cash dividends paid to its shareholders for a total amount of \$2,243 (including tax withholding on cash dividends) and treasury shares acquisitions of \$151 during 4Q13. The Fixed Services segment has a financial asset of \$1,235 and the Personal Mobile Services segment has a financial asset of \$2,507, while the Núcleo Mobile Services segment has a net financial debt of \$216.

**Capital expenditures (CAPEX)**

CAPEX composition for 9M14 and 9M13 is as follows:

|                          | In millions of \$ |              | % of participation |             | Variation  |           |
|--------------------------|-------------------|--------------|--------------------|-------------|------------|-----------|
|                          | 9M14              | 9M13         | 9M14               | 9M13        | \$         | %         |
| Fixed Services           | 1,542             | 1,256        | 40%                | 43%         | 286        | 23        |
| Personal Mobile Services | 2,060             | 1,409        | 54%                | 49%         | 651        | 46        |
| Núcleo Mobile Services   | 217               | 231          | 6%                 | 8%          | (14)       | (6)       |
| <b>Total CAPEX</b>       | <b>3,819</b>      | <b>2,896</b> | <b>100%</b>        | <b>100%</b> | <b>923</b> | <b>32</b> |

PP&E CAPEX amounted to \$3,035 and intangible assets CAPEX amounted to \$784 in 9M14, while in 9M13 amounted to \$2,249 and \$647, respectively.

In relative terms, CAPEX represented 15.8% of consolidated revenues in 9M14 (14.6% in 9M13), and were intended mainly for the external wiring and network access equipment, transmission and switching equipment, computer equipment and SAC.

PP&E and intangible assets additions (CAPEX plus materials additions) for 9M14 and 9M13 are as follows:

|                          | In millions of \$ |       | % of participation |      | Variation |    |
|--------------------------|-------------------|-------|--------------------|------|-----------|----|
|                          | 9M14              | 9M13  | 9M14               | 9M13 | \$        | %  |
| Fixed Services           | 1,853             | 1,440 | 44%                | 47%  | 413       | 29 |
| Personal Mobile Services | 2,168             | 1,413 | 51%                | 46%  | 755       | 53 |
| Núcleo Mobile Services   | 237               | 236   | 6%                 | 7%   | 1         |    |

|                        |              |              |             |             |              |           |
|------------------------|--------------|--------------|-------------|-------------|--------------|-----------|
| <b>Total additions</b> | <b>4,258</b> | <b>3,089</b> | <b>100%</b> | <b>100%</b> | <b>1,169</b> | <b>38</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 services to support the growth of mobile Internet together with the launch of innovative VAS services and the expansion of transmission and transport networks to meet the growing demand of services of our fixed and mobile customers and also improve our services quality.

**3. *Telecom Group's activities for the three-month periods ended September 30, 2014 ( 3Q14 ) and 2013 ( 3Q13 )***

Telecom Group's net income amounted to \$848 in 3Q14, -\$38 or -4.3% vs. 3Q13. Net income attributable to Telecom Argentina amounted to \$839 in 3Q14 (-\$31 or -3.6% vs. 3Q13).

Total revenues and other income increased 20.8% vs. 3Q13 and operating income before depreciation and amortization amounted to \$2,067 (+\$137 or 7.1% vs. 3Q13), representing 24.0% of the consolidated revenues (vs. 27.1% in 3Q13). Operating income amounted to \$1,225 (+\$22 or 1.8% vs. 3Q13). Financial results, net amounted to \$76 (-\$87 or -53.4% vs. 3Q13), while income tax amounted to \$453 (-\$27 or -5.6% vs. 3Q13).

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

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

|  | <b>3Q14</b>  | <b>3Q13</b>  | <b>Variation</b> |              |
|--|--------------|--------------|------------------|--------------|
|  |              |              | <b>\$</b>        | <b>%</b>     |
| Revenues   | 8,598        | 7,114        | 1,484            | 20.9         |
| Other income   | 10           | 13           | (3)              | (23.1)       |
| Operating costs without depreciation and amortization                                    | (6,541)      | (5,197)      | (1,344)          | 25.9         |
| <b>Operating income before depreciation and amortization</b>                             | <b>2,067</b> | <b>1,930</b> | <b>137</b>       | <b>7.1</b>   |
| Depreciation and amortization  | (843)        | (731)        | (112)            | 15.3         |
| Gain on disposal of PP&E   | 1            | 4            | (3)              | (75.0)       |
| <b>Operating income</b>  | <b>1,225</b> | <b>1,203</b> | <b>22</b>        | <b>1.8</b>   |
| Financial results, net   | 76           | 163          | (87)             | (53.4)       |
| <b>Income before income tax expense</b>  | <b>1,301</b> | <b>1,366</b> | <b>(65)</b>      | <b>(4.8)</b> |
| Income tax expense   | (453)        | (480)        | 27               | (5.6)        |
| <b>Net income</b>  | <b>848</b>   | <b>886</b>   | <b>(38)</b>      | <b>(4.3)</b> |
| <b>Attributable to:</b>  |              |              |                  |              |
| Telecom Argentina (Controlling Company)  | 839          | 870          | (31)             | (3.6)        |
| Non-controlling interest   | 9            | 16           | (7)              | (43.8)       |
|  | <b>848</b>   | <b>886</b>   | <b>(38)</b>      | <b>(4.3)</b> |
| <b>Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)</b> | <b>0.87</b>  | <b>0.89</b>  |                  |              |

During 3Q14 consolidated revenues increased 20.9% (+\$1,484 vs. 3Q13) amounting to \$8,598, mainly fueled by mobile services (including handset sales), Broadband and data transmission in the Fixed Services segment.

|                                | <b>3Q14</b>  | <b>3Q13</b>  | <b>Variation</b> |             |
|--------------------------------|--------------|--------------|------------------|-------------|
|                                |              |              | <b>\$</b>        | <b>%</b>    |
| <b><u>Services</u></b>         |              |              |                  |             |
| Voice Retail                   | 723          | 672          | 51               | 7.6         |
| Voice Wholesale                | 228          | 204          | 24               | 11.8        |
| Internet                       | 842          | 636          | 206              | 32.4        |
| Data                           | 380          | 248          | 132              | 53.2        |
| <b>Subtotal Fixed Services</b> | <b>2,173</b> | <b>1,760</b> | <b>413</b>       | <b>23.5</b> |

|  |              |              |              |             |
|--|--------------|--------------|--------------|-------------|
| Voice Retail                             | 1,235        | 1,200        | 35           | 2.9         |
| Voice Wholesale                          | 480          | 453          | 27           | 6.0         |
| Internet                                 | 869          | 557          | 312          | 56.0        |
| Data                                     | 2,015        | 1,969        | 46           | 2.3         |
| <b>Subtotal Personal Mobile Services</b> | <b>4,599</b> | <b>4,179</b> | <b>420</b>   | <b>10.1</b> |
| Voice Retail                             | 155          | 96           | 59           | 61.5        |
| Voice Wholesale                          | 40           | 22           | 18           | 81.8        |
| Internet                                 | 114          | 69           | 45           | 65.2        |
| Data                                     | 84           | 77           | 7            | 9.1         |
| <b>Subtotal Núcleo Mobile Services</b>   | <b>393</b>   | <b>264</b>   | <b>129</b>   | <b>48.9</b> |
| <b>Total services revenues</b>           | <b>7,165</b> | <b>6,203</b> | <b>962</b>   | <b>15.5</b> |
| <b><i>Equipment</i></b>                  |              |              |              |             |
| Fixed Services                           | 13           | 19           | (6)          | (31.6)      |
| Personal Mobile Services                 | 1,400        | 874          | 526          | 60.2        |
| Núcleo Mobile Services                   | 20           | 18           | 2            | 11.1        |
| <b>Total equipment revenues</b>          | <b>1,433</b> | <b>911</b>   | <b>522</b>   | <b>57.3</b> |
| <b>Total revenues</b>                    | <b>8,598</b> | <b>7,114</b> | <b>1,484</b> | <b>20.9</b> |

Consolidated operating costs including depreciation, amortization and gain on disposal of PP&E amounted to \$7,383 in 3Q14, which represented an increase of \$1,459 or 24.6% vs. 3Q13. 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 Matters, the increase in the cost of equipment and handsets, the increase in taxes and fees with the Regulatory Matters, the increase of VAS costs, the effect of the appreciation of the Guaraní respect to the Argentine peso (50% vs. 3Q13), affecting the operations in Paraguay, a decrease of \$128 in provisions charges and an increase of \$123 in agent commissions capitalized as SAC, which partially mitigated the increase in operating costs.

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

VIII



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

|   | <b>3Q14</b>    | <b>3Q13</b>    | <b>Variation</b> |             |
|---|----------------|----------------|------------------|-------------|
|   |                |                | <b>\$</b>        | <b>%</b>    |
| Employee benefit expenses and severance payments          | (1,465)        | (1,123)        | (342)            | 30.5        |
| Interconnection costs and other telecommunication charges | (516)          | (380)          | (136)            | 35.8        |
| Fees for services, maintenance, materials and supplies    | (883)          | (663)          | (220)            | 33.2        |
| Taxes and fees with the Regulatory Authority              | (835)          | (706)          | (129)            | 18.3        |
| Commissions   | (941)          | (732)          | (209)            | 28.6        |
| Agent commissions capitalized as SAC                      | 272            | 149            | 123              | 82.6        |
| Cost of equipment and handsets                            | (1,252)        | (940)          | (312)            | 33.2        |
| Cost of equipment and handsets capitalized as SAC         | 26             | 59             | (33)             | (55.9)      |
| Advertising   | (171)          | (166)          | (5)              | 3.0         |
| Cost of VAS   | (273)          | (202)          | (71)             | 35.1        |
| Provisions  |                | (128)          | 128              | (100.0)     |
| Bad debt expenses   | (94)           | (56)           | (38)             | 67.9        |
| Other operating expenses                                  | (409)          | (309)          | (100)            | 32.4        |
| <b>Subtotal</b>   | <b>(6,541)</b> | <b>(5,197)</b> | <b>(1,344)</b>   | <b>25.9</b> |
| Depreciation of PP&E                                      | (634)          | (492)          | (142)            | 28.9        |
| Amortization of SAC and service connection charges        | (203)          | (233)          | 30               | (12.9)      |
| Amortization of other intangible assets                   | (6)            | (6)            |                  |             |
| Gain on disposal of PP&E                                  | 1              | 4              | (3)              | (75.0)      |
| <b>Total operating costs</b>                              | <b>(7,383)</b> | <b>(5,924)</b> | <b>(1,459)</b>   | <b>24.6</b> |

CAPEX amounted to \$1,554 in 3Q14 and amounted to \$1,342 in 3Q13 (+\$212 or 15.8%).

In 3Q14 the operating income before depreciation and amortization generated by equipment and handset sales (including SAC activations) amounted to \$207 (+\$177 or 590% vs. 3Q13). The operating income before depreciation and amortization generated by services sales amounted to \$1,860 (-\$40 or 2.1% vs. 3Q13).

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

|                     | <b>September 30,</b> |               |               |               |
|---------------------|----------------------|---------------|---------------|---------------|
|                     | <b>2014</b>          | <b>2013</b>   | <b>2012</b>   | <b>2011</b>   |
| Current assets      | 8,249                | 10,105        | 5,885         | 4,495         |
| Non-current assets  | 16,423               | 11,845        | 10,266        | 9,086         |
| <b>Total assets</b> | <b>24,672</b>        | <b>21,950</b> | <b>16,151</b> | <b>13,581</b> |

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|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Current liabilities  | 8,829         | 7,639         | 5,118         | 4,654         |
| Non-current liabilities  | 2,129         | 2,052         | 1,727         | 1,391         |
| <b>Total liabilities</b>                                       | <b>10,958</b> | <b>9,691</b>  | <b>6,845</b>  | <b>6,045</b>  |
| Equity attributable to Telecom Argentina (Controlling Company) | 13,378        | 12,027        | 9,137         | 7,391         |
| Equity attributable non-controlling interest                   | 336           | 232           | 169           | 145           |
| <b>Total Equity</b>  | <b>13,714</b> | <b>12,259</b> | <b>9,306</b>  | <b>7,536</b>  |
| <b>Total liabilities and equity</b>                            | <b>24,672</b> | <b>21,950</b> | <b>16,151</b> | <b>13,581</b> |
| <b><u>Net financial position</u></b>                           |               |               |               |               |
| Financial assets   | 3,818         | 5,898         | 2,835         | 2,171         |
| Financial debts  | (292)         | (214)         | (138)         | (146)         |
| <b>Net financial assets</b>                                    | <b>3,526</b>  | <b>5,684</b>  | <b>2,697</b>  | <b>2,025</b>  |

5. *Summary of comparative consolidated income statements*

|   | 3Q14         | 3Q13         | 3Q12       | 3Q11       | 9M14         | 9M13         | 9M12         | 9M11         |
|---|--------------|--------------|------------|------------|--------------|--------------|--------------|--------------|
| Revenues and other income                               | 8,608        | 7,127        | 5,652      | 4,780      | 24,223       | 19,853       | 16,041       | 13,381       |
| Operating costs   | (7,383)      | (5,924)      | (4,731)    | (3,846)    | (20,380)     | (16,590)     | (13,238)     | (10,518)     |
| <b>Operating income</b>                                 | <b>1,225</b> | <b>1,203</b> | <b>921</b> | <b>934</b> | <b>3,843</b> | <b>3,263</b> | <b>2,803</b> | <b>2,863</b> |
| Financial results, net                                  | 76           | 163          | 47         | 21         | 230          | 377          | 159          | 38           |
| <b>Income before income tax expense</b>                 | <b>1,301</b> | <b>1,366</b> | <b>968</b> | <b>955</b> | <b>4,073</b> | <b>3,640</b> | <b>2,962</b> | <b>2,901</b> |
| Income tax expense                                      | (453)        | (480)        | (339)      | (339)      | (1,389)      | (1,279)      | (1,039)      | (1,009)      |
| <b>Net income</b>                                       | <b>848</b>   | <b>886</b>   | <b>629</b> | <b>616</b> | <b>2,684</b> | <b>2,361</b> | <b>1,923</b> | <b>1,892</b> |
| Other comprehensive income, net of tax                  |              | 54           | 27         | (12)       | 233          | 83           | 48           | 48           |
| <b>Total comprehensive income</b>                       | <b>848</b>   | <b>940</b>   | <b>656</b> | <b>604</b> | <b>2,917</b> | <b>2,444</b> | <b>1,971</b> | <b>1,940</b> |
| Attributable to Telecom Argentina (Controlling Company) | 840          | 905          | 634        | 601        | 2,797        | 2,378        | 1,923        | 1,902        |
| Attributable to non-controlling interest                | 8            | 35           | 22         | 3          | 120          | 66           | 48           | 38           |

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

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

|  | 9M14        |         | 9M13        |         | 9M12        |         | 9M11        |         | 9M10        |         |
|--|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
|  | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |
| Equipment lines                          | 3,538       | 10      | 3,575       | (248)   | 3,805       | 1       | 3,802       | (2)     | 3,835       | 1       |
| NGN lines                                | 1,195       | 11      | 1,139       | 31      | 1,005       | 18      | 974         | 51      | 821         | 44      |
| Installed lines (a)                      | 4,733       | 21      | 4,714       | (217)   | 4,810       | 19      | 4,776       | 49      | 4,656       | 45      |
| Lines in service (b)                     | 4,106       | 3       | 4,124       | 10      | 4,140       | (8)     | 4,132       | 13      | 4,087       | 21      |
| Customers lines (c)                      | 4,028       | 3       | 4,043       | 10      | 4,056       | (8)     | 4,047       | 14      | 3,998       | 23      |
| Public phones installed                  | 31          |         | 34          | (1)     | 38          | (1)     | 41          | (1)     | 46          | (1)     |
| Lines in service per 100 inhabitants (d) | 20.2        |         | 20.4        |         | 20.7        |         | 20.8        | 0.1     | 20.7        | 0.1     |
| Lines in service per employee (e)        | 370         | (1)     | 373         |         | 369         | (1)     | 372         |         | 370         | 2       |

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)***

|                        | 9M14        |         | 9M13        |         | 9M12        |         | 9M11        |         | 9M10        |         |
|------------------------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
|                        | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |
| Total ADSL subscribers | 1,750       | 24      | 1,669       | 35      | 1,612       | 18      | 1,505       | 48      | 1,330       | 56      |

**Mobile services**

*Personal (in thousands, except customers per employee in units)*

|                           | 9M14          |            | 9M13          |            | 9M12          |            | 9M11          |            | 9M10          |            |
|---------------------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
|                           | Accumulat     | Quarter    | Accumulat     | Quarter    | Accumulat     | Quarter    | Accumulat     | Quarter    | Accumulat     | Quarter    |
| Post-paid subscribers     | 2,210         | (93)       | 2,450         | 12         | 2,353         | 57         | 2,093         | 105        | 1,724         | 64         |
| Cuentas claras plans      | 3,915         | 62         | 3,749         | 106        | 3,341         | 109        | 2,978         | 91         | 2,767         | 30         |
| Prepaid subscribers       | 13,451        | 44         | 13,374        | 469        | 12,731        | 17         | 12,282        | 157        | 11,236        | 509        |
| Dongles (*)               | 191           | (22)       | 282           | (39)       | 484           | 3          | 433           | 41         | 261           | 51         |
| <b>Total subscribers</b>  | <b>19,767</b> | <b>(9)</b> | <b>19,855</b> | <b>548</b> | <b>18,909</b> | <b>186</b> | <b>17,786</b> | <b>394</b> | <b>15,988</b> | <b>654</b> |
| <b>Lines per employee</b> | <b>3,935</b>  |            | <b>3,839</b>  |            | <b>3,682</b>  |            | <b>3,779</b>  |            | <b>3,958</b>  |            |

*Núcleo (in thousands, except customers per employee in units)*

|                                | 9M14         |           | 9M13         |           | 9M12         |           | 9M11         |           | 9M10         |           |
|--------------------------------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|
|                                | Accumulated  | Quarter   | Accumulated  | Quarter   | Accumulated  | Quarter   | Accumulated  | Quarter   | Accumulated  | Quarter   |
| Post-paid subscribers          | 30           | 1         | 30           | 1         | 29           |           | 28           | 1         | 25           | 1         |
| Plan control subscribers       | 311          | 3         | 290          | 12        | 249          | 11        | 213          | 6         | 180          | 10        |
| Prepaid subscribers            | 1,943        | 39        | 1,925        | 19        | 1,860        | 11        | 1,739        | 75        | 1,604        |           |
| Dongles (*)                    | 136          | (5)       | 157          | (5)       | 125          | 6         | 90           | 14        | 36           | 10        |
| <b>Subtotal mobile</b>         | <b>2,420</b> | <b>38</b> | <b>2,402</b> | <b>27</b> | <b>2,263</b> | <b>28</b> | <b>2,070</b> | <b>96</b> | <b>1,845</b> | <b>21</b> |
| Internet subscribers - Wimax   | 5            |           | 5            | (1)       | 7            |           | 8            | (1)       | 10           | (1)       |
| <b>Total subscribers</b>       | <b>2,425</b> | <b>38</b> | <b>2,407</b> | <b>26</b> | <b>2,270</b> | <b>28</b> | <b>2,078</b> | <b>95</b> | <b>1,855</b> | <b>20</b> |
| <b>Lines per employee (**)</b> | <b>5,817</b> |           | <b>5,547</b> |           | <b>5,214</b> |           | <b>4,917</b> |           | <b>4,446</b> |           |

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

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

## 7. Consolidated ratios

|                       | 9M14 | 9M13 | 9M12 | 9M11 |
|-----------------------|------|------|------|------|
| Liquidity (1)         | 0.93 | 1.32 | 1.15 | 0.97 |
| Solvency (2)          | 1.25 | 1.26 | 1.36 | 1.25 |
| Locked-up capital (3) | 0.67 | 0.54 | 0.64 | 0.67 |

(1) Current assets/Current liabilities.

(2) Total equity/Total liabilities.

(3) Non-current assets/Total assets.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**8. Outlook**

Regarding fixed line services, it is expected to end this fiscal year influenced by the maturity of the market and the replacement of the fixed-service for the mobile-service. Broadband business, however, continue to capture market opportunities in a very competitive market by increasing our subscriber base.

For the remaining of 2014 Personal will continue to work on the mass of the mobile Internet experience, assuming the responsibility over quality of services with the continuity of the technological upgrading of the national network. The recent auction of additional spectrum launched by the Regulatory Authority is a fundamental step for the resolution of one of the national mobile industry's critical needs that will allow quality services improvement and the launch of new services in next fiscal years. Personal has been prequalified to participate in the spectrum auction and has done it successfully. Additionally, we continue to invest in equipment and infrastructure, working with the Regulatory Authority in order to enable the municipalities to install the necessary sites to improve the network coverage of all operators.

Coverage expansion and speed access improvement to 3G and HSPA+ networks with the more complete portfolio of advanced mobile devices will continue to be the drivers to our revenues through proposals of value. The opportunity to grow in capacity data will come from the network evolution to 4G technology, once the spectrum that the Government has auctioned is available and our investment plans in such technology are developed.

During 9M14 some changes to the economic policy of the Government which, among other things, sought to improve public finances, competitiveness of the country, the BCRA reserves and lower inflation rates were introduced. These changes have depreciated the Argentine peso against the U.S. dollar and new inflation rates calculated by the INDEC using a new methodology have been determined, impacting directly over the pricing policies, the cost and investment structures of the companies, the levels of employment and consumption of the population and of our customers in particular. In addition, certain foreign courts' rulings, issued at lawsuits filed by bond holders (the so called "holdouts") who did not participate in the debt restructuring offered by the Argentine Government in 2005 and 2010 (which restructuring was accepted by approximately 93% of the bond holders), prevented restructured sovereign bond holders from receiving earnings from those securities. Such events have provoked a complex legal and financial situation, which has hindered public and private financing. Also, on October 29, 2014, the Executive Branch announced that it will introduce a bill in Congress which, if passed, would comprehensively modify the rules that govern the provision of our services.

The Telecom Group's Management will continue to monitor these macroeconomic and regulatory variables of our industry to achieve its strategic objectives of improving quality of service, strengthening its market position and increasing its operational efficiency to meet the growing demands of the dynamic telecommunication market without neglecting the return on investment for the shareholders. The investment plans of the Telecom Group are based on the Telecom Group's commitment to its country and its people.

**Enrique Garrido**

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2014***

XI



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

(In millions of Argentine pesos)

|  | Note | September 30,<br>2014 | December 31,<br>2013 |
|--|------|-----------------------|----------------------|
| <b>ASSETS</b>                          |      |                       |                      |
| <b>Current Assets</b>                  |      |                       |                      |
| Cash and cash equivalents              | 2    | 2,408                 | 5,224                |
| Investments                            | 2    | 352                   | 123                  |
| Trade receivables                      | 2    | 3,715                 | 2,986                |
| Other receivables                      | 2    | 682                   | 646                  |
| Inventories                            | 2    | 1,092                 | 772                  |
| <b>Total current assets</b>            |      | <b>8,249</b>          | <b>9,751</b>         |
| <b>Non-Current Assets</b>              |      |                       |                      |
| Trade receivables                      | 2    | 15                    | 21                   |
| Deferred income tax assets             | 2    | 282                   | 128                  |
| Other receivables                      | 2    | 250                   | 242                  |
| Investments                            | 2    | 1,059                 | 243                  |
| Property, plant and equipment ( PP&E ) | 2    | 13,114                | 11,226               |
| Intangible assets                      | 2    | 1,703                 | 1,519                |
| <b>Total non-current assets</b>        |      | <b>16,423</b>         | <b>13,379</b>        |
| <b>TOTAL ASSETS</b>                    |      | <b>24,672</b>         | <b>23,130</b>        |
| <b>LIABILITIES</b>                     |      |                       |                      |
| <b>Current Liabilities</b>             |      |                       |                      |
| Trade payables                         | 2    | 5,852                 | 6,130                |
| Deferred revenues                      | 2    | 477                   | 423                  |
| Financial debt                         | 2    | 32                    | 15                   |
| Salaries and social security payables  | 2    | 843                   | 741                  |
| Income tax payables                    | 2    | 715                   | 801                  |
| Other taxes payables                   | 2    | 668                   | 667                  |
| Dividends payables                     | 2    | 26                    |                      |
| Other liabilities                      | 2    | 47                    | 49                   |
| Provisions                             | 6    | 169                   | 224                  |

|   |          |               |               |
|---|----------|---------------|---------------|
| <b>Total current liabilities</b>  |          | <b>8,829</b>  | <b>9,050</b>  |
| <b>Non-Current Liabilities</b>  |          |               |               |
| Trade payables  | 2        |               | 1             |
| Deferred revenues   | 2        | 448           | 453           |
| Financial debt  | 2        | 260           | 220           |
| Salaries and social security payables   | 2        | 151           | 118           |
| Deferred income tax liabilities   | 2        |               | 126           |
| Income tax payables   | 2        | 9             | 10            |
| Other liabilities   | 2        | 89            | 68            |
| Provisions  | 6        | 1,172         | 1,033         |
| <b>Total non-current liabilities</b>  |          | <b>2,129</b>  | <b>2,029</b>  |
| <b>TOTAL LIABILITIES</b>  |          | <b>10,958</b> | <b>11,079</b> |
| <b>EQUITY</b> (see Unaudited Condensed Consolidated Statement of Changes in Equity) |          |               |               |
| Equity attributable to Telecom Argentina (Controlling Company)                      |          | <b>13,378</b> | <b>11,783</b> |
| Equity attributable to non-controlling interest                                     |          | <b>336</b>    | <b>268</b>    |
| <b>TOTAL EQUITY</b>   | <b>7</b> | <b>13,714</b> | <b>12,051</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |          | <b>24,672</b> | <b>23,130</b> |

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

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

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

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

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

|   |             | <b>Three-month periods</b> |              | <b>Nine-month periods</b>  |               |
|---|-------------|----------------------------|--------------|----------------------------|---------------|
|   |             | <b>ended September 30,</b> |              | <b>ended September 30,</b> |               |
|   | <b>Note</b> | <b>2014</b>                | <b>2013</b>  | <b>2014</b>                | <b>2013</b>   |
| Revenues  | 2           | 8,598                      | 7,114        | 24,183                     | 19,827        |
| Other income  | 2           | 10                         | 13           | 40                         | 26            |
| <b>Total revenues and other income</b>                    |             | <b>8,608</b>               | <b>7,127</b> | <b>24,223</b>              | <b>19,853</b> |
| Employee benefit expenses and severance payments          | 2           | (1,465)                    | (1,123)      | (4,002)                    | (2,996)       |
| Interconnection costs and other telecommunication charges | 2           | (516)                      | (380)        | (1,536)                    | (1,386)       |
| Fees for services, maintenance, materials and supplies    | 2           | (883)                      | (663)        | (2,482)                    | (1,877)       |
| Taxes and fees with the Regulatory Authority              | 2           | (835)                      | (706)        | (2,399)                    | (1,954)       |
| Commissions   | 2           | (669)                      | (583)        | (1,787)                    | (1,607)       |
| Cost of equipments and handsets                           | 2           | (1,226)                    | (881)        | (3,119)                    | (2,169)       |
| Advertising   | 2           | (171)                      | (166)        | (512)                      | (452)         |
| Cost of VAS   | 2           | (273)                      | (202)        | (679)                      | (503)         |
| Provisions  | 6           |                            | (128)        | (102)                      | (225)         |
| Bad debt expenses   | 2           | (94)                       | (56)         | (327)                      | (221)         |
| Recovery of restructuring costs                           | 2           |                            |              |                            | 8             |
| Other operating expenses                                  | 2           | (409)                      | (309)        | (1,092)                    | (917)         |
| Depreciation and amortization                             | 2           | (843)                      | (731)        | (2,354)                    | (2,130)       |
| Gain on disposal of PP&E and impairment of PP&E           | 2           | 1                          | 4            | 11                         | (161)         |
| <b>Operating income</b>                                   |             | <b>1,225</b>               | <b>1,203</b> | <b>3,843</b>               | <b>3,263</b>  |
| Finance income  | 2           | 246                        | 394          | 1,309                      | 859           |
| Finance expenses  | 2           | (170)                      | (231)        | (1,079)                    | (482)         |
| <b>Income before income tax expense</b>                   |             | <b>1,301</b>               | <b>1,366</b> | <b>4,073</b>               | <b>3,640</b>  |
| Income tax expense  | 2           | (453)                      | (480)        | (1,389)                    | (1,279)       |
| <b>Net income for the period</b>                          |             | <b>848</b>                 | <b>886</b>   | <b>2,684</b>               | <b>2,361</b>  |
| <b>Attributable to:</b>                                   |             |                            |              |                            |               |
| Telecom Argentina (Controlling Company)                   |             | 839                        | 870          | 2,644                      | 2,324         |
| Non-controlling interest                                  |             | 9                          | 16           | 40                         | 37            |

|   |            |             |             |              |              |
|---|------------|-------------|-------------|--------------|--------------|
|   |            | <b>848</b>  | <b>886</b>  | <b>2,684</b> | <b>2,361</b> |
| <b>Earnings per share attributable to Telecom Argentina<br/>basic and diluted</b> | <b>1.d</b> | <b>0.87</b> | <b>0.89</b> | <b>2.73</b>  | <b>2.37</b>  |

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

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

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

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

(In millions of Argentine pesos)

|   | Three-month periods<br>ended September 30, |            | Nine-month periods<br>ended September 30, |              |
|---|--|------------|---|--------------|
|   | 2014                                       | 2013       | 2014                                      | 2013         |
| <b>Net income for the period</b>                                  | <b>848</b>                                 | <b>886</b> | <b>2,684</b>                              | <b>2,361</b> |
| <b>Other components of the Statements of Comprehensive Income</b> |  |            |   |              |
| <u>Will be reclassified subsequently to profit or loss</u>        |  |            |   |              |
| Currency translation adjustments (non-taxable)                    | (1)  | 54         | 232                                       | 83           |
| NDF effects classified as hedges, net of tax                      | 1  |            | 1   |              |
| <b>Other components of the comprehensive income, net of tax</b>   |  | <b>54</b>  | <b>233</b>                                | <b>83</b>    |
| <b>Total comprehensive income for the period</b>                  | <b>848</b>                                 | <b>940</b> | <b>2,917</b>                              | <b>2,444</b> |
| <b>Attributable to:</b>   |  |            |   |              |
| Telecom Argentina (Controlling Company)                           | 840  | 905        | 2,797                                     | 2,378        |
| Non-controlling interest  | 8  | 35         | 120                                       | 66           |
|   | <b>848</b>                                 | <b>940</b> | <b>2,917</b>                              | <b>2,444</b> |

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

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

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

Table of Contents

## TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Argentine pesos)

|  | Equity attributable to Telecom Argentina (Controlling Company) |                 |                            |                      |                                  |                                      |  |  |                    |  |                |              |      |        |
|--|--|-----------------|----------------------------|----------------------|----------------------------------|--------------------------------------|--|--|--------------------|--|----------------|--------------|------|--------|
|  | Owners Contribution  |                 | Voluntary                  |                      |                                  |                                      |  |  |                    | Equity attributable to non-controlling |                | Total Equity |      |        |
|  | Outstanding shares   | Treasury shares | Capital nominal value      | Inflation adjustment | Treasury shares acquisition cost | Special reserve for future dividends | Voluntary reserve for future investments | Voluntary reserve for future investments | Deferred results   | Retained earnings                      | Total interest |              |      |        |
|  | (1)  | (2)             | (1)                        | (2)                  | (2)                              | Legal IFRS complementation           | dividends                                | capital investments                      | future investments |  |                |              |      |        |
| value                                    | adjustment   | adjustment      | Legal IFRS complementation | dividends            | capital investments              | future investments                   | Deferred results                         | Retained earnings                        | Total interest     |  |                |              |      |        |
| Balances as of January 1, 2013           | 984  | 2,688           |                            |                      |                                  | 572                                  |  |  | 2,553              | 107                                    | 3,055          | 9,959        | 199  | 10,158 |
| Dividends from Decree (3)                |  |                 |                            |                      |                                  |                                      |  |  |                    |  |                |              | (33) | (33)   |
| Legal Reserve                            |  |                 |                            |                      |                                  | 153                                  |  |  |                    |  | (153)          |              |      |        |
| Special reserve IFRS complementation     |  |                 |                            |                      |                                  |                                      | 351                                      |  |                    |  | (351)          |              |      |        |
| Voluntary reserve for future dividends   |  |                 |                            |                      |                                  |                                      |  | 1,000                                    |                    |  | (1,000)        |              |      |        |
| Voluntary reserve for future investments |  |                 |                            |                      |                                  |                                      |  |  | 1,200              |  | (1,200)        |              |      |        |
| Voluntary reserve for future investments |  |                 |                            |                      |                                  |                                      |  |  |                    | 351                                    | (351)          |              |      |        |
| Treasury Shares acquisition (2)          | (11)   | (29)            | 11                         | 29                   | (310)                            |                                      |  |  |                    |  |                | (310)        |      | (310)  |
| Comprehensive Income:                    |  |                 |                            |                      |                                  |                                      |  |  |                    |  |                |              |      |        |

|   |            |              |           |           |              |            |            |              |              |              |            |              |               |            |               |
|---|------------|--------------|-----------|-----------|--------------|------------|------------|--------------|--------------|--------------|------------|--------------|---------------|------------|---------------|
| Net income for the period                     |            |              |           |           |              |            |            |              |              |              |            | 2,324        | 2,324         | 37         | 2,361         |
| Other comprehensive income                    |            |              |           |           |              |            |            |              |              |              | 54         |              | 54            | 29         | 83            |
| <b>Total comprehensive income</b>             |            |              |           |           |              |            |            |              |              |              | <b>54</b>  | <b>2,324</b> | <b>2,378</b>  | <b>66</b>  | <b>2,444</b>  |
| <b>Balances as of September 30, 2013</b>      | <b>973</b> | <b>2,659</b> | <b>11</b> | <b>29</b> | <b>(310)</b> | <b>725</b> | <b>351</b> | <b>1,000</b> | <b>1,200</b> | <b>2,904</b> | <b>161</b> | <b>2,324</b> | <b>12,027</b> | <b>232</b> | <b>12,259</b> |
| <b>Balances as of January 1, 2014</b>         | <b>969</b> | <b>2,646</b> | <b>15</b> | <b>42</b> | <b>(461)</b> | <b>725</b> | <b>351</b> |              | <b>1,200</b> | <b>2,904</b> | <b>190</b> | <b>3,202</b> | <b>11,783</b> | <b>268</b> | <b>12,050</b> |
| Dividends from the stock purchase plan (5)    |            |              |           |           |              |            |            |              |              |              |            |              |               | (52)       | (52)          |
| Dividends (6)                                 |            |              |           |           |              |            |            |              |              |              |            | (1,202)      | (1,202)       |            | (1,202)       |
| Legal Reserve                                 |            |              |           |           |              |            |            |              |              |              |            |              |               |            |               |
|   |            |              |           |           |              | 9          |            |              |              |              |            | (9)          |               |            |               |
| Voluntary reserve for capital investments (6) |            |              |           |           |              |            |            |              | 1,991        |              |            | (1,991)      |               |            |               |
| <b>Other comprehensive income:</b>            |            |              |           |           |              |            |            |              |              |              |            |              |               |            |               |
| Net income for the period                     |            |              |           |           |              |            |            |              |              |              |            | 2,644        | 2,644         | 40         | 2,684         |
| Other comprehensive income                    |            |              |           |           |              |            |            |              |              |              | 153        |              | 153           | 80         | 233           |
| <b>Total comprehensive income</b>             |            |              |           |           |              |            |            |              |              |              | <b>153</b> | <b>2,644</b> | <b>2,797</b>  | <b>120</b> | <b>2,917</b>  |
| <b>Balances as of September 30, 2014</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>343</b> | <b>2,644</b> | <b>13,378</b> | <b>336</b> | <b>13,714</b> |

(1) As of September 30, 2014 and 2013, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of September 30, 2013 and 2014, 10,784,154 and 15,221,373, respectively, were treasury shares.

(2) As of September 30, 2013, corresponds to 10,784,154 shares of \$1 Argentine peso of nominal value each, equivalent to 1.10% of total capital. The treasury shares acquisition costs amounted to 310. As of September 30,

2014, 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.

- (3) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 22, 2013.
  - (4) As approved by the Ordinary Shareholders Meeting of the Company held on May 21, 2013 (second tranche).
  - (5) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 28, 2014.
  - (6) As approved by the Ordinary Shareholders Meeting of the Company held on May 21, 2014 (second tranche).
- The accompanying notes are an integral part of these consolidated financial statements.

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

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



Table of Contents

## TELECOM ARGENTINA S.A.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Argentine pesos)

|   | Note     | Nine-month periods<br>ended September 30, |                |
|---|----------|---|----------------|
|   |          | 2014                                      | 2013           |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |          |   |                |
| Net income for the period   |          | 2,684                                     | 2,361          |
| <b>Adjustments to reconcile net income to net cash flows provided by operating activities</b> |          |   |                |
| Bad debt expenses and other allowances  |          | 402                                       | 306            |
| Depreciation of PP&E  | 2        | 1,740                                     | 1,447          |
| Amortization of intangible assets   | 2        | 614                                       | 683            |
| Consumption of materials  | 2        | 161                                       | 111            |
| Gain on disposal of PP&E  | 2        | (11)                                      | (11)           |
| Impairment of PP&E  | 2        |   | 172            |
| Recovery of restructuring costs   | 6        |   | (8)            |
| Provisions  | 6        | 202                                       | 294            |
| Interest and other financial losses   |          | (415)                                     | (91)           |
| Income tax expense  | 2        | 1,389                                     | 1,279          |
| Income tax paid   | 3        | (1,783)                                   | (1,227)        |
| Net increase in assets  | 3        | (1,509)                                   | (1,559)        |
| Net increase in liabilities   | 3        | 146                                       | 1,214          |
| <b>Total cash flows provided by operating activities</b>                                      | <b>3</b> | <b>3,620</b>                              | <b>4,971</b>   |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |          |   |                |
| PP&E acquisitions   | 3        | (3,793)                                   | (2,209)        |
| Intangible assets acquisitions  | 3        | (774)                                     | (615)          |
| Proceeds from the sale of PP&E  |          | 12  | 15             |
| Investments not considered as cash and cash equivalents                                       | 3        | (1,032)                                   | (578)          |
| <b>Total cash flows used in investing activities</b>  |          | <b>(5,587)</b>                            | <b>(3,387)</b> |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>  |          |   |                |
| Proceeds from financial debt  | 3        |   | 203            |
| Payment of financial debt   | 3        | (10)                                      | (152)          |
| Payment of interest   | 3        | (24)                                      | (14)           |
| Payment of cash dividends and related tax withholdings  | 3        | (1,262)                                   | (16)           |

|   |       |                      |
|---|-------|----------------------|
| Treasury shares acquisition   | 3 / 7 | (310)                |
| <b>Total cash flows used in financing activities</b>                        |       | <b>(1,296) (289)</b> |
| <b><u>NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</u></b> |       |                      |
|   |       | <b>447 125</b>       |
| <b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                     |       | <b>(2,816) 1,420</b> |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>               |       | <b>5,224 3,160</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                   |       | <b>2,408 4,580</b>   |

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

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

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

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

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF  
SEPTEMBER 30, 2014 AND 2013**

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

**INDEX**

|   | <b>Page</b> |
|---|-------------|
| <u>Glossary of terms</u>  | 7           |
| <b><u>Notes to the unaudited condensed consolidated financial statements</u></b>  |             |
| <b>1</b> <u>Basis of preparation of the unaudited condensed consolidated financial statements and significant accounting policies</u> | <b>9</b>    |
| <b>2</b> <u>Breakdown of the main accounts</u>  | <b>10</b>   |
| <b>3</b> <u>Supplementary cash flow information</u>   | <b>21</b>   |
| <b>4</b> <u>Segment information</u>   | <b>23</b>   |
| <b>5</b> <u>Related party balances and transactions</u>   | <b>26</b>   |
| <b>6</b> <u>Commitments and contingencies of the Telecom Group</u>  | <b>29</b>   |
| <b>7</b> <u>Equity</u>  | <b>30</b>   |
| <b>8</b> <u>Restrictions on distribution of profits</u>   | <b>31</b>   |
| <b>9</b> <u>Selected consolidated quarterly information</u>   | <b>31</b>   |
| <b>10</b> <u>Recent developments corresponding to the nine-month period ended September 30, 2014 for the Telecom Group</u>            | <b>31</b>   |
| <b>11</b> <u>Subsequent events to September 30, 2014</u>  | <b>43</b>   |

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**GLOSSARY OF TERMS**

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

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

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

*ARSAT (Empresa Argentina de Soluciones Satelitales S.A.):* the Satellite Solutions National Argentine Company.

*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.

*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.

*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.

*IAS*: International Accounting Standards.

*IASB*: International Accounting Standards Board.

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

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

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

*Micro Sistemas*: Micro Sistemas S.A.

*NDF*: Non-Deliverable Forward.

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

*Núcleo*: Núcleo S.A.

*NYSE*: New York Stock Exchange.

*Personal*: Telecom Personal S.A.

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

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

**Table of Contents**

**TELECOM ARGENTINA S.A.**

*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.

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

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

*Springville*: Springville S.A. Personal sold its equity interest in Springville on February 19, 2014.

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

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

*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.

*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****TELECOM ARGENTINA S.A.****NOTE 1 BASIS OF PREPARATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES****a) Basis of preparation and significant accounting policies**

These consolidated financial statements have been prepared in accordance with RT 26 (as amended by RT 29) of FACPCE as adopted by the CPCECABA, and as required by the CNV.

For the preparation of these consolidated financial statements, the Company has elected to make use of the option provided by IAS 34, so, these consolidated financial statements do not include all the information required in an annual financial statement, and must be read jointly with the 2013 annual consolidated financial statements which can be consulted at the Company's website ([www.telecom.com.ar/inversores](http://www.telecom.com.ar/inversores)).

Entities included in consolidation and the respective equity interest owned by Telecom Argentina as of September 30, 2014 is presented as follows:

| Company        | Percentage of capital stock owned and voting rights |                          | Date of acquisition | Segment that consolidates (Note 4) |
|----------------|---|--------------------------|---------------------|------------------------------------|
|                | (a)   | through Indirect control |                     |                                    |
| Personal       | 99.99%  |                          | 07.06.94            | Personal Mobile Services           |
| Micro Sistemas |   |                          |                     |                                    |
| (b)            | 99.99%  |                          | 12.31.97            | Fixed Services                     |
| Telecom USA    | 100.00%   |                          | 09.12.00            | Fixed Services                     |
| Núcleo (c)     | 67.50%  | Personal                 | 02.03.98            | Núcleo Mobile Services             |

(a) Percentage of equity interest owned has been rounded.

(b) Dormant entity as of September 30, 2014 and December 31, 2013 and for the nine-month periods ended September 30, 2014 and 2013, respectively.

(c) 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 financial statements. As from January 1, 2014 certain amendments to IAS 32 have come into effect, clarifying the meaning of "currently has a legally enforceable right to compensation" and how compensation requirements which offset gross amounts that do not operate simultaneously should be applied. The Telecom Group mainly offset financial assets and liabilities that relate to Interconnection transactions, TLRD and Roaming with other national and foreign operators. See Note 2.ac). The application of these new provisions has not had a significant impact on these 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.



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

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

Publication of these consolidated financial statements for the period ended September 30, 2014 was approved by resolution of the Board of Directors meeting held on November 3, 2014.

**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/paid settled within twelve months after the period-end;

the consolidated income statements have been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Telecom Group as evaluated by the Management, and are in line with the industrial sector of telecommunications;

**Table of Contents**

**TELECOM ARGENTINA S.A.**

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

Also, some reclassifications to the comparative figures of the consolidated statements of cash flows have been included in the lines total cash flows provided by operating activities, total cash flows used in investing activities and net foreign exchange differences on cash and cash equivalents with the purpose of improving the information comparability.

**c) Segment reporting**

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

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

Information regarding segment reporting is included in Note 4.

**d) Net income per share**

The Company computes net income per common share by dividing net income for the period attributable to Telecom Argentina (Controlling Company) by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number

of common and dilutive potential common shares then outstanding during the period. Since the Company has no dilutive potential common stock outstanding, there are no dilutive earnings per share amounts.

For the three and nine-month periods ended September 30, 2013 the weighted average number of shares outstanding totaled 977,392,863 shares and 981,858,007 shares, respectively. For the three and nine-month periods ended September 30, 2014 the weighted average number of shares outstanding totaled 969,159,605 shares. The changes in the weighted average number of shares outstanding for each period are a consequence of the Treasury Shares Acquisition Process that began in May 2013. For further information, see Note 7 to the consolidated financial statements.

**NOTE 2 BREAKDOWN OF THE MAIN ACCOUNTS**

| <b>CONSOLIDATED STATEMENTS OF<br/>FINANCIAL POSITION</b> | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|--|-------------------------------|------------------------------|
| <b>CURRENT ASSETS</b>                                    |                               |                              |
| <b>a) Cash and cash equivalents</b>                      |                               |                              |
| Cash   | 15                            | 12                           |
| Banks  | 353                           | 336                          |
| Time deposits  | 1,607                         | 3,949                        |
| Mutual funds   | 433                           | 927                          |
|  | <b>2,408</b>                  | <b>5,224</b>                 |
| <b>b) Investments</b>                                    |                               |                              |
| Investments over 90 days maturity                        | 173                           |                              |
| Argentine companies notes                                | 112                           | 86                           |
| Government bonds   | 44                            | 2                            |
| Provincial government bonds                              | 23                            | 35                           |
|  | <b>352</b>                    | <b>123</b>                   |

Table of Contents

## TELECOM ARGENTINA S.A.

|                                 | September 30,<br>2014 | December 31,<br>2013 |
|---------------------------------|-----------------------|----------------------|
| <b>c) Trade receivables</b>     |                       |                      |
| Fixed Services                  | 1,089                 | 950                  |
| Personal Mobile Services        | 2,786                 | 2,170                |
| Núcleo Mobile Services          | 126                   | 105                  |
| <b>Subtotal</b>                 | <b>4,001</b>          | <b>3,225</b>         |
| Allowance for doubtful accounts | (286)                 | (239)                |
|                                 | <b>3,715</b>          | <b>2,986</b>         |

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

|                                      | September 30,<br>2014<br><br>(9 months) | December 31,<br>2013<br><br>(12<br>months) |
|--------------------------------------|---|--|
| <b>At the beginning of the year</b>  | <b>(239)</b>                            | <b>(202)</b>                               |
| Additions bad debt expenses          | (321)                                   | (283)                                      |
| Uses                                 | 276                                     | 249  |
| Currency translation adjustments     | (2)                                     | (3)  |
| <b>At the end of the period/year</b> | <b>(286)</b>                            | <b>(239)</b>                               |

|   | September 30,<br>2014 | December 31,<br>2013 |
|---|-----------------------|----------------------|
| <b>d) Other receivables</b>                           |                       |                      |
| Prepaid expenses                                      | 352                   | 276                  |
| Expenditure reimbursement                             | 84                    | 91                   |
| Prepaid expenses related parties (Note 5.c)           | 58                    | 76                   |
| Tax credits   | 44                    | 38                   |
| Restricted funds                                      | 18                    | 26                   |
| Investment reimbursement                              | 10                    |                      |
| Tax on personal property on behalf of<br>shareholders | 9                     | 12                   |
| Guarantee deposits                                    | 8                     | 5                    |
| Receivables for suppliers indemnities                 | 7                     | 6                    |

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|   |            |            |
|---|------------|------------|
| Receivables for return of handsets under warranty | 6          | 9          |
| NDF   |            | 42         |
| Other   | 109        | 83         |
| <b>Subtotal</b>                                   | <b>705</b> | <b>664</b> |
| Allowance for other receivables                   | (23)       | (18)       |
|   | <b>682</b> | <b>646</b> |

Movements in the allowance for other receivables are as follows:

|                                      | September 30,<br>2014<br>(9 months) | December 31,<br>2013<br>(12 months) |
|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>At the beginning of the year</b>  | <b>(18)</b>                         | <b>(15)</b>                         |
| Additions (*)                        | (6)                                 | (3)                                 |
| Uses                                 | 1                                   |                                     |
| <b>At the end of the period/year</b> | <b>(23)</b>                         | <b>(18)</b>                         |

(\*) Included in Bad debt expenses as of September 30, 2014.

|   | September 30,<br>2014 | December 31,<br>2013 |
|---|-----------------------|----------------------|
| <b>e) Inventories</b>                     |                       |                      |
| Mobile handsets                           | 1,199                 | 849                  |
| Fixed telephones and equipment            | 9                     | 8                    |
| <b>Subtotal</b>                           | <b>1,208</b>          | <b>857</b>           |
| Allowance for obsolescence of inventories | (116)                 | (85)                 |
|   | <b>1,092</b>          | <b>772</b>           |

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

|  | September 30,<br>2014<br>(9 months) | December 31,<br>2013<br>(12<br>months) |
|--|-------------------------------------|--|
| <b>At the beginning of the year</b>                    | <b>(85)</b>                         | <b>(8)</b>                             |
| Additions Fees for services, maintenance and materials | (70)                                | (109)                                  |
| Uses   | 39                                  | 32                                     |
| <b>At the end of the period/year</b>                   | <b>(116)</b>                        | <b>(85)</b>                            |



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

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

|   | Three-month periods ended September 30, |              | Nine-month periods ended September 30, |                |
|---|---|--------------|--|----------------|
|   | 2014                                    | 2013         | 2014                                   | 2013           |
|   | <b>Profit (loss)</b>                    |              |  |                |
| Sales of equipment and handsets - Fixed Services                        | 13                                      | 19           | 44                                     | 49             |
| Cost of equipment and handsets - Fixed Services                         | (15)                                    | (15)         | (50)                                   | (49)           |
| <b>Total equipment loss - Fixed Services</b>                            | <b>(2)</b>                              | <b>4</b>     | <b>(6)</b>                             |                |
| Sales of equipment and handsets - Personal Mobile Services              | 1,400                                   | 874          | 3,515                                  | 2,109          |
| Cost of equipment and handsets - Personal Mobile Services               | (1,202)                                 | (896)        | (3,052)                                | (2,257)        |
| Deferred Costs SAC - Personal Mobile Services                           | 17                                      | 51           | 53                                     | 200            |
| <b>Total equipment income - Personal Mobile Services</b>                | <b>215</b>                              | <b>29</b>    | <b>516</b>                             | <b>52</b>      |
| Sales of equipment and handsets - Núcleo Mobile Services                | 20                                      | 18           | 56                                     | 55             |
| Cost of equipment and handsets - Núcleo Mobile Services                 | (35)                                    | (29)         | (100)                                  | (86)           |
| Deferred Costs SAC - Núcleo Mobile Services                             | 9                                       | 8            | 30                                     | 23             |
| <b>Total equipment loss - Núcleo Mobile Services</b>                    | <b>(6)</b>                              | <b>(3)</b>   | <b>(14)</b>                            | <b>(8)</b>     |
| <b>Total equipment and handsets sale</b>                                | <b>1,433</b>                            | <b>911</b>   | <b>3,615</b>                           | <b>2,213</b>   |
| <b>Total cost of equipment and handsets (net of SAC capitalization)</b> | <b>(1,226)</b>                          | <b>(881)</b> | <b>(3,119)</b>                         | <b>(2,169)</b> |
| <b>Total income for sale of equipment and handsets</b>                  | <b>207</b>                              | <b>30</b>    | <b>496</b>                             | <b>44</b>      |

|                             | September 30,<br>2014 | December 31,<br>2013 |
|-----------------------------|-----------------------|----------------------|
| <b>NON-CURRENT ASSETS</b>   |                       |                      |
| <b>f) Trade receivables</b> |                       |                      |
| Fixed Services              | 10                    | 19                   |
| Núcleo Mobile Services      | 5                     | 2                    |
|                             | <b>15</b>             | <b>21</b>            |

**g) Other receivables**

|  |            |            |
|--|------------|------------|
| Prepaid expenses   | 123        | 100        |
| Credit on SC Resolution No. 41/07 and IDC                  | 85         | 85         |
| Prepaid expenses related parties (Note 5.c)                | 49         | 88         |
| Tax on personal property on behalf of shareholders         | 18         | 17         |
| Investment reimbursement                                   | 27         |            |
| Restricted funds   | 25         | 37         |
| Tax credits  | 9          | 3          |
| Other  | 17         | 14         |
| <b>Subtotal</b>  | <b>353</b> | <b>344</b> |
| Allowance for regulatory matters                           | (85)       | (85)       |
| Allowance for doubtful accounts (tax on personal property) | (18)       | (17)       |
|  | <b>250</b> | <b>242</b> |

Movements in the allowance for regulatory matters are as follows:

|                                      | <b>September 30,<br/>2014<br/>(9 months)</b> | <b>December 31,<br/>2013<br/>(12<br/>months)</b> |
|--------------------------------------|--|--|
| <b>At the beginning of the year</b>  | <b>(85)</b>                                  | <b>(85)</b>                                      |
| Additions                            |  |  |
| <b>At the end of the period/year</b> | <b>(85)</b>                                  | <b>(85)</b>                                      |

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

|                                      | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|--------------------------------------|-------------------------------|------------------------------|
|                                      | <b>(9 months)</b>             | <b>(12<br/>months)</b>       |
| <b>At the beginning of the year</b>  | <b>(17)</b>                   | <b>(17)</b>                  |
| Additions                            | (1)                           |                              |
| <b>At the end of the period/year</b> | <b>(18)</b>                   | <b>(17)</b>                  |

|   | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---|-------------------------------|------------------------------|
| <b>h) Investments</b>                     |                               |                              |
| Government bonds                          | 1,014                         | 219                          |
| Provincial and municipal government bonds | 44                            | 13                           |
| 2003 Telecommunications Fund              | 1                             | 1                            |
| Argentine companies notes                 |                               | 10                           |
|   | <b>1,059</b>                  | <b>243</b>                   |

Table of Contents

## TELECOM ARGENTINA S.A.

|   | September 30,<br>2014 | December 31,<br>2013 |
|---|-----------------------|----------------------|
| <b>i) PP&amp;E</b>                        |                       |                      |
| Land, buildings and installations         | 984                   | 963                  |
| Computer equipment and software           | 1,344                 | 1,476                |
| Switching and transmission equipment (i)  | 3,096                 | 2,558                |
| Mobile network access and external wiring | 3,847                 | 3,091                |
| Construction in progress                  | 2,816                 | 2,436                |
| Other tangible assets                     | 419                   | 377                  |
| <b>Subtotal PP&amp;E</b>                  | <b>12,506</b>         | <b>10,901</b>        |
| Materials                                 | 788                   | 502                  |
| <b>Subtotal PP&amp;E and materials</b>    | <b>13,294</b>         | <b>11,403</b>        |
| Valuation allowance for materials         | (25)                  | (21)                 |
| Impairment of PP&E                        | (155)                 | (156)                |
| <b>Total PP&amp;E</b>                     | <b>13,114</b>         | <b>11,226</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:

|                                      | September 30,<br>2014<br>(9 months) | December 31,<br>2013<br>(12 months) |
|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>At the beginning of the year</b>  | <b>11,403</b>                       | <b>9,049</b>                        |
| CAPEX                                | 3,035                               | 3,964                               |
| Materials                            | 439                                 | 363                                 |
| <b>Total PP&amp;E additions</b>      | <b>3,474</b>                        | <b>4,327</b>                        |
| Currency translation adjustments     | 321                                 | 194                                 |
| Consumption of materials             | (161)                               | (147)                               |
| Decrease                             | (2)                                 | (22)                                |
| Depreciation of the period/year      | (1,741)                             | (1,998)                             |
| <b>At the end of the period/year</b> | <b>13,294</b>                       | <b>11,403</b>                       |

Movements in the valuation allowance for materials are as follows:

|   | September 30,<br>2014<br>(9 months) | December 31,<br>2013<br>(12<br>months) |
|---|-------------------------------------|--|
| <b>At the beginning of the year</b>                       | (21)                                | (14)                                   |
| Additions - fees for services, maintenance, and materials | (4)                                 | (7)                                    |
| <b>At the end of the period/year</b>                      | (25)                                | (21)                                   |

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

|                                      | September 30,<br>2014<br>(9 months) | December 31,<br>2013<br>(12<br>months) |
|--------------------------------------|-------------------------------------|--|
| <b>At the beginning of the year</b>  | (156)                               |  |
| Additions (i)                        |                                     | (172)                                  |
| Uses (ii)                            | 1                                   | 16                                     |
| <b>At the end of the period/year</b> | (155)                               | (156)                                  |

(i) Included in Gain on disposal and impairment of PP&E as of December 31, 2013.

(ii) As of September 30, 2014, 1 was included in Depreciation of PP&E. As of December 31, 2013, 1 was included in Gain on disposal and impairment of PP&E and 15 in Depreciation of PP&E.

|  | September 30,<br>2014 | December 31,<br>2013 |
|--|-----------------------|----------------------|
| <b><u>j) Intangible assets</u></b>         |                       |                      |
| Licenses                                   | 589                   | 589                  |
| SAC mobile services                        | 716                   | 541                  |
| SAC fixed services                         | 82                    | 64                   |
| Rights of use and exclusivity              | 216                   | 227                  |
| Service connection or habilitation charges | 98                    | 96                   |
| Other intangible assets                    | 2                     | 2                    |
|  | <b>1,703</b>          | <b>1,519</b>         |



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

Movements in Intangible assets are as follows:

|                                      | <b>September 30,<br/>2014<br/>(9 months)</b> | <b>December 31,<br/>2013<br/>(12<br/>months)</b> |
|--------------------------------------|--|--|
| <b>At the beginning of the year</b>  | <b>1,519</b>                                 | <b>1,514</b>                                     |
| CAPEX                                | 784  | 887  |
| Currency translation adjustments     | 14   | 8  |
| Amortization of the period/year      | (614)  | (890)  |
| <b>At the end of the period/year</b> | <b>1,703</b>                                 | <b>1,519</b>                                     |

|  | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|--|-------------------------------|------------------------------|
| <b>CURRENT LIABILITIES</b>                       |                               |                              |
| <b>k) Trade payables</b>                         |                               |                              |
| For the acquisition of other assets and services | 2,186                         | 2,236                        |
| For the acquisition of PP&E                      | 1,700                         | 2,271                        |
| For the acquisition of inventory                 | 1,586                         | 1,399                        |
| <b>Subtotal suppliers</b>                        | <b>5,472</b>                  | <b>5,906</b>                 |
| Agent commissions                                | 380                           | 224                          |
|  | <b>5,852</b>                  | <b>6,130</b>                 |
| <b>l) Deferred revenues</b>                      |                               |                              |
| On prepaid calling cards                         | 340                           | 293                          |
| On customer loyalty programs                     | 60                            | 51                           |
| On international capacity rental                 | 39                            | 42                           |
| On connection fees - Fixed Services              | 34                            | 34                           |
| From CONATEL - Núcleo Mobile Services            | 4                             | 3                            |
|  | <b>477</b>                    | <b>423</b>                   |
| <b>m) Financial debt - Núcleo</b>                |                               |                              |
| Bank loans                                       | 30                            | 10                           |
| Accrued interest                                 | 2                             | 5                            |

|   |            |            |
|---|------------|------------|
|   | <b>32</b>  | <b>15</b>  |
| <b>n) Salaries and social security payables</b>                     |            |            |
| Annual complementary salaries, vacation and bonuses                 | 570        | 483        |
| Social security payables  | 185        | 191        |
| Termination benefits  | 88         | 67         |
|   | <b>843</b> | <b>741</b> |
| <b>o) Income tax payables</b>                                       |            |            |
| Income tax payables   | 1,734      | 1,987      |
| Income tax retentions and payments in advance                       | (1,022)    | (1,189)    |
| Law No. 26,476 Tax Regularization Regime                            | 3          | 3          |
|   | <b>715</b> | <b>801</b> |
| <b>p) Other taxes payables</b>                                      |            |            |
| VAT, net  | 209        | 143        |
| Tax withholdings  | 103        | 130        |
| Tax on SU   | 94         | 91         |
| Internal taxes  | 74         | 73         |
| Turnover tax  | 69         | 81         |
| Regulatory fees   | 62         | 56         |
| Municipal taxes   | 25         | 24         |
| Tax withholdings on Telecom Argentina s dividends (Note 3)          | 11         | 44         |
| Perception Decree No.583/10 ENARD                                   | 12         | 12         |
| Tax on personal property on behalf of shareholders                  | 9          | 13         |
|   | <b>668</b> | <b>667</b> |
| <b>q) Dividends payables</b>  |            |            |
| Related parties (Note 5.c)  | 26         |            |
|   | <b>26</b>  |            |
| <b>r) Other liabilities</b>   |            |            |
| Compensation for directors and members of the Supervisory Committee | 26         | 20         |
| Legal fees  | 12         | 12         |
| Guarantees received   | 9          | 13         |
| Other   |            | 4          |
|   | <b>47</b>  | <b>49</b>  |





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

|   | September 30,<br>2014 | December 31,<br>2013 |
|---|-----------------------|----------------------|
| <b>NON-CURRENT LIABILITIES</b>                    |                       |                      |
| <b>s) Trade payables</b>                          |                       |                      |
| For the acquisition of PP&E                       |                       | 1                    |
|   |                       | <b>1</b>             |
| <b>t) Deferred revenues</b>                       |                       |                      |
| On international capacity rental                  | 280                   | 301                  |
| On customer loyalty programs                      | 89                    | 75                   |
| On connection fees Fixed Services                 | 68                    | 66                   |
| From CONATEL Núcleo Mobile Services               | 11                    | 11                   |
|   | <b>448</b>            | <b>453</b>           |
| <b>u) Financial debt - Núcleo</b>                 |                       |                      |
| Bank loans  | 260                   | 220                  |
|   | <b>260</b>            | <b>220</b>           |
| <b>v) Salaries and social security payables</b>   |                       |                      |
| Termination benefits                              | 132                   | 111                  |
| Bonuses   | 19                    | 7                    |
|   | <b>151</b>            | <b>118</b>           |
| <b>w) Income tax payables</b>                     |                       |                      |
| Law No. 26,476 Tax Regularization Regime          | 9                     | 10                   |
|   | <b>9</b>              | <b>10</b>            |
| <b>x) Other liabilities</b>                       |                       |                      |
| Pension benefits                                  | 87                    | 64                   |
| Suppliers guarantees on third parties claims      | 2                     | 4                    |
|   | <b>89</b>             | <b>68</b>            |
| <b>y) Deferred income tax asset and liability</b> |                       |                      |

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

|  | As of September 30, 2014 |              |             |                | As of December 31, 2013 |              |             |
|--|--------------------------|--------------|-------------|----------------|-------------------------|--------------|-------------|
|  | Telecom<br>Argentina     | Personal     | Núcleo      | Telecom<br>USA | Total                   | Argentina    | Abroad      |
| Tax loss carryforwards   |                          |              |             |                |                         |              | (1)         |
| Allowance for doubtful accounts  | (51)                     | (77)         | (8)         | (1)            | (137)                   | (98)         | (4)         |
| Provisions   | (304)                    | (154)        |             |                | (458)                   | (433)        |             |
| PP&E   |                          |              | (14)        |                | (14)                    |              | (12)        |
| Inventory  |                          | (81)         |             |                | (81)                    | (48)         |             |
| Termination benefits   | (68)                     |              |             |                | (68)                    | (58)         |             |
| Government bonds valuation differences                                 |                          | (243)        |             |                | (243)                   | (29)         |             |
| Other deferred tax assets, net   | (145)                    |              |             |                | (145)                   | (133)        |             |
| Allowance for deferred tax assets                                      |                          |              |             |                |                         | 27           | 1           |
| <b>Total deferred tax assets</b>                                       | <b>(568)</b>             | <b>(555)</b> | <b>(22)</b> | <b>(1)</b>     | <b>(1,146)</b>          | <b>(772)</b> | <b>(16)</b> |
| PP&E and intangible assets   | 390                      | 369          |             | 1              | 760                     | 716          |             |
| Cash dividends from foreign companies                                  |                          | 93           | 5           |                | 98                      | 66           | 4           |
| Other deferred tax liabilities, net                                    |                          | 6            |             |                | 6                       |              |             |
| <b>Total deferred tax liabilities</b>                                  | <b>390</b>               | <b>468</b>   | <b>5</b>    | <b>1</b>       | <b>864</b>              | <b>782</b>   | <b>4</b>    |
| <b>Net deferred tax liabilities / (assets)</b>                         | <b>(178)</b>             | <b>(87)</b>  | <b>(17)</b> |                | <b>(282)</b>            | <b>10</b>    | <b>(12)</b> |
| <b>Net deferred tax liabilities / (assets) as of December 31, 2013</b> | <b>(116)</b>             | <b>126</b>   | <b>(12)</b> |                | <b>(2)</b>              |              |             |

## z) Aging of assets and liabilities as of September 30, 2014

| Date due                                | Cash and cash<br>equivalents | Investments  | Trade receivables | Deferred income<br>tax |                   |
|---|------------------------------|--------------|-------------------|------------------------|-------------------|
|   |                              |              |                   | assets                 | Other receivables |
| <b>Total due</b>                        |                              |              | (c) 787           |                        |                   |
| <b>Not due</b>                          |                              |              |                   |                        |                   |
| Fourth quarter 2014                     | 2,408                        | 304          | 2,420             |                        | 447               |
| First quarter 2015                      |                              | 46           | 243               |                        | 88                |
| Second quarter 2015                     |                              | 1            | 175               |                        | 93                |
| Third quarter 2015                      |                              | 1            | 90                |                        | 54                |
| October 2015 thru September 2016        |                              | 432          | 8                 |                        | 174               |
| October 2016 thru September 2017        |                              | 594          | 3                 |                        | 38                |
| October 2017 and thereafter             |                              | 32           | 4                 |                        | 38                |
| Not date due established                |                              | 1            |                   | 282                    |                   |
| <b>Total not due</b>                    | <b>2,408</b>                 | <b>1,411</b> | <b>2,943</b>      | <b>282</b>             | <b>932</b>        |
| <b>Total</b>                            | <b>2,408</b>                 | <b>1,411</b> | <b>3,730</b>      | <b>282</b>             | <b>932</b>        |
| <b>Balances bearing interest</b>        | 1,667                        | 1,410        | 817               |                        |                   |
| <b>Balances not bearing interest</b>    | 741                          | 1            | 2,913             | 282                    | 932               |
| <b>Total</b>                            | <b>2,408</b>                 | <b>1,411</b> | <b>3,730</b>      | <b>282</b>             | <b>932</b>        |
| <b>Average annual interest rate (%)</b> | (a)                          | (b)          | (d)               |                        |                   |

- (a) 60 are assets in Argentine pesos and bear 21.21% and 1,607 are assets in foreign currency and bear between 0.21% and 1.09% (average 0.56%).
- (b) 179 are assets in Argentine pesos (21 bear between 15% and 23.8% and 158 are dollar-linked bonds bearing between 1.95% and 5.0%) and 1,231 are assets in foreign currency and bear between 0.29% and 7% (average 6.09%).
- (c) From due trade receivables 66 bear 50% over the Banco de la Nación Argentina 30-day interest rate paid by banks and 266 bear 50% over the Banco de la Nación Argentina notes payable discount rate.
- (d) From not due trade receivables 15 bear 37%, 31 are assets in foreign currency and bear 8.3%, 415 bear 37.5% and 24 bear 36%.

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

| <b>Date due</b>                         | <b>Trade payables</b> | <b>Deferred revenues</b> | <b>Financial debt</b> | <b>Salaries and social security payables</b> | <b>Income tax payables</b> | <b>Other taxes payables</b> | <b>Dividends payables</b> | <b>Other liabilities</b> |
|---|-----------------------|--------------------------|-----------------------|--|----------------------------|-----------------------------|---------------------------|--------------------------|
| <b>Total due</b>                        | <b>(e) 229</b>        |                          |                       |  |                            |                             |                           |                          |
| <b>Not due</b>                          |                       |                          |                       |  |                            |                             |                           |                          |
| Fourth quarter 2014                     | 5,610                 | 377                      | 5                     | 425  | 1                          | 659                         | 26                        | 10                       |
| First quarter 2015                      | 13                    | 33                       | 9                     | 304  | 1                          |                             |                           |                          |
| Second quarter 2015                     |                       | 32                       | 4                     | 97   | 712                        | 9                           |                           | 26                       |
| Third quarter 2015                      |                       | 35                       | 14                    | 17   | 1                          |                             |                           | 11                       |
| October 2015 thru September 2016        |                       | 136                      | 57                    | 65   | 3                          |                             |                           | 4                        |
| October 2016 thru September 2017        |                       | 59                       | 112                   | 40   | 3                          |                             |                           | 1                        |
| October 2017 and thereafter             |                       | 253                      | 91                    | 46   | 3                          |                             |                           | 84                       |
| <b>Total not due</b>                    | <b>5,623</b>          | <b>925</b>               | <b>292</b>            | <b>994</b>                                   | <b>724</b>                 | <b>668</b>                  | <b>26</b>                 | <b>136</b>               |
| <b>Total</b>                            | <b>5,852</b>          | <b>925</b>               | <b>292</b>            | <b>994</b>                                   | <b>724</b>                 | <b>668</b>                  | <b>26</b>                 | <b>136</b>               |
| <b>Balances bearing interest</b>        | 38                    |                          | 292                   |  | 16                         |                             |                           |                          |
| <b>Balances not bearing interest</b>    | 5,814                 | 925                      |                       | 994  | 708                        | 668                         | 26                        | 136                      |
| <b>Total</b>                            | <b>5,852</b>          | <b>925</b>               | <b>292</b>            | <b>994</b>                                   | <b>724</b>                 | <b>668</b>                  | <b>26</b>                 | <b>136</b>               |
| <b>Average annual interest rate (%)</b> | <b>(f)</b>            |                          | <b>9.30%</b>          |  | <b>9.00%</b>               |                             |                           |                          |

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

(f) From not due trade payables, 36 bear 9% and 2 bear 6%.

**aa) 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 September 30, 2014 and December 31, 2013.

| <b>09.30.14</b>                       |           |                      |                                      |
|---------------------------------------|-----------|----------------------|--------------------------------------|
| <b>Amount of foreign currency (i)</b> |           | <b>Exchange rate</b> | <b>Amount in local currency (ii)</b> |
| <b>Assets</b>                         |           |                      |                                      |
| US\$                                  | 403       | 8.33                 | 3,352                                |
| G                                     | 141,644   | 0.002                | 259                                  |
| EURO                                  | 4         | 10.51                | 44                                   |
| <b>Total assets</b>                   |           |                      | <b>3,655</b>                         |
| <b>Liabilities</b>                    |           |                      |                                      |
| US\$                                  | (409)     | 8.43                 | (3,437)                              |
| G                                     | (282,083) | 0.002                | (516)                                |
| EURO                                  | (12)      | 10.66                | (121)                                |
| SDR                                   |           | 12.50                | (3)                                  |
| <b>Total liabilities</b>              |           |                      | <b>(4,077)</b>                       |
| <b>Net liabilities (iii)</b>          |           |                      | <b>(422)</b>                         |

- (i) US\$ = United States dollar; G= Guaraníes; SDR = Special Drawing Rights.
- (ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.
- (iii) Comprised of net financial liability in US\$ equivalent to (85), a net financial liability in EURO equivalent to (77), a net financial liability in G equivalent to (257) and a net financial liability in SDR equivalent to (3).

In order to partially reduce this net liability position in foreign currency, the Telecom Group, as of September 30, 2014, entered into several NDF contracts to purchase a total amount of US\$ 108 million and holds investments adjustable to the variation of the US\$/\\$ exchange rate (dollar linked) by \$159 and mutual funds whose main underlying asset are financial assets dollar linked for a total amount of \$368 as of September 30, 2014. These instruments cover completely the net liability position in foreign currency of the Telecom Group as of September 30, 2014.

|                                | 12.31.13  |               |                               |
|--------------------------------|-----------|---------------|-------------------------------|
| Amount of foreign currency (i) |           | Exchange rate | Amount in local currency (ii) |
| <b>Assets</b>                  |           |               |                               |
| US\$                           | 315       | 6.481         | 2,038                         |
| G                              | 114,349   | 0.002         | 160                           |
| EURO                           | 1         | 8.939         | 13                            |
| <b>Total assets</b>            |           |               | <b>2,211</b>                  |
| <b>Liabilities</b>             |           |               |                               |
| US\$                           | (500)     | 6.521         | (3,262)                       |
| G                              | (281,392) | 0.002         | (396)                         |
| EURO                           | (17)      | 9.011         | (153)                         |
| <b>Total liabilities</b>       |           |               | <b>(3,811)</b>                |
| <b>Net liabilities (iii)</b>   |           |               | <b>(1,600)</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) Comprised of net financial liabilities in US\$ equivalent to (1,224), in EURO equivalent to (140) and in G equivalent to (236).

In order to partially reduce this net liability position in foreign currency, the Telecom Group, as of December 31, 2013, entered into several NDF contracts to purchase a total amount of US\$ 138 million and holds investments adjustable to the variation of the US\$/\\$ exchange rate (dollar linked) by \$78 and mutual funds whose main underlying asset are financial assets dollar linked for a total amount of \$300. The portion of the net liability position in foreign currency not covered by these instruments amounted to \$328 as of December 31, 2013.

**Table of Contents****TELECOM ARGENTINA S.A.****ab) Information on the fair value of investments in Government bonds and argentine companies notes valued at amortized cost**

Below are shown the investments in Government bonds and argentine companies notes valued at amortized cost and their respective fair value as of September 30, 2014 and December 31, 2013:

| <b>Investments</b>  | <b>As of September 30, 2014</b> |                       | <b>As of December 31, 2013</b> |                       |
|---|---------------------------------|-----------------------|--------------------------------|-----------------------|
|   | <b>Book value</b>               | <b>Fair value (*)</b> | <b>Book value</b>              | <b>Fair value (*)</b> |
| Government bonds  | 1,058                           | 1,841                 | 221                            | 313                   |
| Provincial and municipal government bonds in pesos (**)   | 10                              | 10                    | 35                             | 35                    |
| Provincial and municipal government bonds (dollar linked) | 57                              | 62                    | 13                             | 15                    |
| Argentine companies notes in pesos                        | 10                              | 10                    | 31                             | 31                    |
| Argentine companies notes (dollar linked)                 | 102                             | 115                   | 65                             | 71                    |
| <b>Total</b>  | <b>1,237</b>                    | <b>2,038</b>          | <b>365</b>                     | <b>465</b>            |

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

(\*\*) Without quotation available in the market as of September 30, 2014. It is considered that the book value approximates to fair value as these bonds were incorporated in a date close to period end and were not operated as of September 30, 2014.

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

The information required by the amendment to IFRS 7 as of September 30, 2014 and December 31, 2013 is as follows:

|  | <b>As of September 30, 2014</b> |                              |                       |                              | <b>Salaries and social security payables</b> |
|--|---------------------------------|------------------------------|-----------------------|------------------------------|--|
|  | <b>Trade receivables</b>        | <b>Other receivables (1)</b> | <b>Trade payables</b> | <b>Other liabilities (1)</b> |  |
| Current and non-current assets (liabilities) - Gross value | 4,859                           | 261                          | (6,982)               | (54)                         | (995)  |
| Compensation   | (1,129)                         | (7)                          | 1,130                 | 5                            | 1  |



|   |              |            |                |             |              |
|---|--------------|------------|----------------|-------------|--------------|
| <b>Current and non-current assets (liabilities)</b> |              |            |                |             |              |
| <b>Book value</b>                                   | <b>3,730</b> | <b>254</b> | <b>(5,852)</b> | <b>(49)</b> | <b>(994)</b> |

## As of December 31, 2013

|   | Trade<br>receivables | Other<br>receivables<br>(1) | Trade<br>payables | Other<br>liabilities<br>(1) | Salaries<br>and social<br>security<br>payables |
|---|----------------------|-----------------------------|-------------------|-----------------------------|--|
| Current and non-current assets (liabilities) - Gross<br>value | 4,697                | 281                         | (7,850)           | (60)                        | (860)  |
| Compensation  | (1,690)              | (37)                        | 1,719             | 7                           | 1  |
| <b>Current and non-current assets (liabilities)</b>           |                      |                             |                   |                             |  |
| <b>Book value</b>   | <b>3,007</b>         | <b>244</b>                  | <b>(6,131)</b>    | <b>(53)</b>                 | <b>(859)</b>                                   |

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

| CONSOLIDATED INCOME STATEMENTS                           | Three-month periods ended |                       | Nine-month periods ended |                       |
|--|---------------------------|-----------------------|--------------------------|-----------------------|
|  | September 30,<br>2014     | September 30,<br>2013 | September 30,<br>2014    | September 30,<br>2013 |
|  |                           |                       | Profit (loss)            |                       |
| <b>ad) Total revenues and other income</b>               |                           |                       |                          |                       |
| <u>Services</u>  |                           |                       |                          |                       |
| Voice Retail   | 723                       | 672                   | 2,109                    | 1,969                 |
| Voice Wholesale  | 228                       | 204                   | 681                      | 580                   |
| Internet   | 842                       | 636                   | 2,345                    | 1,827                 |
| Data   | 380                       | 248                   | 1,063                    | 689                   |
| <b>Subtotal Fixed Services</b>                           | <b>2,173</b>              | <b>1,760</b>          | <b>6,198</b>             | <b>5,065</b>          |
| Voice Retail (*)   | 1,235                     | 1,200                 | 3,830                    | 3,538                 |
| Voice Wholesale  | 480                       | 453                   | 1,456                    | 1,419                 |
| Internet (*)   | 869                       | 557                   | 2,294                    | 1,472                 |
| Data (*)   | 2,015                     | 1,969                 | 5,692                    | 5,333                 |
| <b>Subtotal Personal Mobile Services</b>                 | <b>4,599</b>              | <b>4,179</b>          | <b>13,272</b>            | <b>11,762</b>         |
| Voice Retail   | 155                       | 96                    | 435                      | 273                   |
| Voice Wholesale  | 40                        | 22                    | 94                       | 87                    |
| Internet   | 114                       | 69                    | 321                      | 193                   |
| Data   | 84                        | 77                    | 248                      | 234                   |
| <b>Subtotal Núcleo Mobile Services</b>                   | <b>393</b>                | <b>264</b>            | <b>1,098</b>             | <b>787</b>            |
| <b>Total service revenues (a)</b>                        | <b>7,165</b>              | <b>6,203</b>          | <b>20,568</b>            | <b>17,614</b>         |
| <u>Equipment</u>   |                           |                       |                          |                       |
| Fixed Services excluding networks construction contracts | 13                        | 19                    | 39                       | 49                    |
| Fixed Services networks construction contracts           |                           |                       | 5                        |                       |
| Personal Mobile Services                                 | 1,400                     | 874                   | 3,515                    | 2,109                 |
| Núcleo Mobile Services                                   | 20                        | 18                    | 56                       | 55                    |
| <b>Total equipment revenues (b)</b>                      | <b>1,433</b>              | <b>911</b>            | <b>3,615</b>             | <b>2,213</b>          |
| <b>Total revenues (a) + (b)</b>                          | <b>8,598</b>              | <b>7,114</b>          | <b>24,183</b>            | <b>19,827</b>         |

(\*) 9M13 comparative figures include certain reclassifications originated in a revenues allocation criteria improvement of mobile postpaid plans. According to this, in 9M13 mobile Voice Retail and Data revenues were adjusted downwards by \$10 and \$57, respectively, while mobile Internet revenues were adjusted upwards by \$67. The same effects have been applied in the 3Q13 comparative figures, showing a decrease of \$3 and \$21 in mobile Voice Retail and Data revenues, respectively, offset by an increase of \$24 in mobile Internet revenues.



Table of Contents

## TELECOM ARGENTINA S.A.

|  | Three-month periods ended |              | Nine-month periods ended |               |
|--|---------------------------|--------------|--------------------------|---------------|
|  | September 30,             |              | September 30,            |               |
|  | 2014                      | 2013         | 2014                     | 2013          |
|  | <b>Profit (loss)</b>      |              |                          |               |
| <b><i>Other income</i></b>                         |                           |              |                          |               |
| Fixed Services                                     | 7                         | 6            | 24                       | 18            |
| Personal Mobile Services                           | 3                         | 1            | 16                       | 2             |
| Núcleo Mobile Services                             |                           | 6            |                          | 6             |
| <b>Total other income (c)</b>                      | <b>10</b>                 | <b>13</b>    | <b>40</b>                | <b>26</b>     |
| <b>Total revenues and other income (a)+(b)+(c)</b> | <b>8,608</b>              | <b>7,127</b> | <b>24,223</b>            | <b>19,853</b> |

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

|                               | Nine-month periods ended |            |               |            |
|-------------------------------|--------------------------|------------|---------------|------------|
|                               | September 30,            |            |               |            |
|                               | 2014                     | %          | 2013          | %          |
| Voice Retail                  | 6,374                    | 31         | 5,780         | 33         |
| Voice Wholesale               | 2,231                    | 11         | 2,086         | 12         |
| <b>Total Voice</b>            | <b>8,605</b>             | <b>42</b>  | <b>7,866</b>  | <b>45</b>  |
| Internet                      | 4,960                    | 24         | 3,492         | 20         |
| Data                          | 7,003                    | 34         | 6,256         | 35         |
| <b>Total service revenues</b> | <b>20,568</b>            | <b>100</b> | <b>17,614</b> | <b>100</b> |

**ae) Operating costs**

Operating expenses disclosed by nature of expense amounted to \$20,380 and \$16,590 for the nine-month periods ended September 30, 2014 and 2013, respectively.

The main components of the operating expenses are the following:

|  | Three-month periods ended |  | Nine-month periods ended |  |
|--|---------------------------|--|--------------------------|--|
|  | September 30,             |  | September 30,            |  |

|   | 2014                 | 2013           | 2014           | 2013           |
|---|----------------------|----------------|----------------|----------------|
|   | <b>Profit (loss)</b> |                |                |                |
| <b><u>Employee benefit expenses and severance payments</u></b>          |                      |                |                |                |
| Salaries  | (1,034)              | (796)          | (2,839)        | (2,173)        |
| Social security expenses  | (324)                | (246)          | (890)          | (661)          |
| Severance indemnities and termination benefits                          | (82)                 | (57)           | (204)          | (100)          |
| Other employee benefits   | (25)                 | (24)           | (69)           | (62)           |
|   | <b>(1,465)</b>       | <b>(1,123)</b> | <b>(4,002)</b> | <b>(2,996)</b> |
| <b><u>Interconnection costs and other telecommunication charges</u></b> |                      |                |                |                |
| Fixed telephony interconnection costs                                   | (66)                 | (64)           | (203)          | (178)          |
| Cost of international outbound calls                                    | (43)                 | (30)           | (143)          | (99)           |
| Lease of circuits and use of public network                             | (86)                 | (52)           | (221)          | (150)          |
| Mobile services - charges for roaming                                   | (93)                 | (35)           | (330)          | (347)          |
| Mobile services - charges for TLRD                                      | (228)                | (199)          | (639)          | (612)          |
|   | <b>(516)</b>         | <b>(380)</b>   | <b>(1,536)</b> | <b>(1,386)</b> |
| <b><u>Fees for services, maintenance, materials and supplies</u></b>    |                      |                |                |                |
| Maintenance of hardware and software                                    | (101)                | (89)           | (309)          | (250)          |
| Technical maintenance   | (163)                | (114)          | (517)          | (343)          |
| Service connection fees for fixed lines and Internet lines              | (61)                 | (50)           | (164)          | (137)          |
| Service connection fees capitalized as SAC                              | 2                    | 2              | 4              | 5              |
| Service connection fees capitalized as Intangible assets                | 8                    | 9              | 23             | 23             |
| Other maintenance costs   | (84)                 | (65)           | (221)          | (177)          |
| Obsolescence of inventories Personal Mobile Services                    | (8)                  | (20)           | (70)           | (77)           |
| Call center fees  | (319)                | (197)          | (818)          | (538)          |
| Other fees for services   | (149)                | (132)          | (388)          | (359)          |
| Compensation for Directors and Supervisory Committee members            | (8)                  | (7)            | (22)           | (24)           |
|   | <b>(883)</b>         | <b>(663)</b>   | <b>(2,482)</b> | <b>(1,877)</b> |
| <b><u>Taxes and fees with the Regulatory Authority</u></b>              |                      |                |                |                |
| Turnover tax  | (464)                | (380)          | (1,308)        | (1,060)        |
| Taxes with the Regulatory Authority                                     | (183)                | (166)          | (529)          | (466)          |
| Tax on deposits to and withdrawals from bank accounts                   | (80)                 | (62)           | (251)          | (172)          |
| Municipal taxes   | (58)                 | (46)           | (163)          | (129)          |
| Other taxes   | (50)                 | (52)           | (148)          | (127)          |
|   | <b>(835)</b>         | <b>(706)</b>   | <b>(2,399)</b> | <b>(1,954)</b> |

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

|   | <b>Three-month periods ended<br/>September 30,</b> |              | <b>Nine-month periods ended<br/>September 30,</b> |                |
|---|--|--------------|---|----------------|
|   | <b>2014</b>  | <b>2013</b>  | <b>2014</b>                                       | <b>2013</b>    |
|   | <b>Profit (loss)</b>                               |              |   |                |
| <b><u>Commissions</u></b>                             |  |              |   |                |
| Agent commissions                                     | (592)  | (437)        | (1,446)   | (1,158)        |
| Agent commissions capitalized as SAC                  | 272  | 149          | 634   | 367            |
| Distribution of prepaid cards commissions             | (149)  | (159)        | (430)   | (448)          |
| Collection commissions                                | (179)  | (114)        | (474)   | (307)          |
| Other commissions                                     | (21)   | (22)         | (71)  | (61)           |
|   | <b>(669)</b>                                       | <b>(583)</b> | <b>(1,787)</b>                                    | <b>(1,607)</b> |
| <b><u>Cost of equipments and handsets</u></b>         |  |              |   |                |
| Inventory balance at the beginning of the period/year | (1,147)  | (835)        | (857)   | (641)          |
| Plus:   |  |              |   |                |
| Purchases   | (1,325)  | (1,277)      | (3,618)   | (2,934)        |
| Deferred costs from SAC                               | 26   | 59           | 83  | 223            |
| Decreases from allowance for obsolescence             | 6  | 1            | 39  | 6              |
| Mobile handsets lent to customers at no cost          | 6  | 6            | 23  | 10             |
| Decreases not charged to material cost                |  |              | 3   | 2              |
| Less:   |  |              |   |                |
| Inventory balance at period end                       | 1,208  | 1,165        | 1,208   | 1,165          |
| <b>Cost of equipments and handsets (i)</b>            | <b>(1,226)</b>                                     | <b>(881)</b> | <b>(3,119)</b>                                    | <b>(2,169)</b> |

- (i) Include 4 related to equipment constructions costs as of September 30, 2014. No costs were recorded for this concept as of September 30, 2013.

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| <b><u>Advertising</u></b>                     |              |              |              |              |
| Media advertising                             | (104)        | (101)        | (294)        | (261)        |
| Fairs and exhibitions                         | (28)         | (30)         | (110)        | (86)         |
| Other advertising costs                       | (39)         | (35)         | (108)        | (105)        |
|   | <b>(171)</b> | <b>(166)</b> | <b>(512)</b> | <b>(452)</b> |
| <b><u>Cost of VAS</u></b>                     |              |              |              |              |
| Cost of mobile VAS                            | (267)        | (199)        | (667)        | (496)        |
| Cost of fixed VAS                             | (6)          | (3)          | (12)         | (7)          |
|   | <b>(273)</b> | <b>(202)</b> | <b>(679)</b> | <b>(503)</b> |
| <b><u>Recovery of restructuring costs</u></b> |              |              |              |              |
| Dismissals indemnities (ii)                   |              |              |              | 8            |
|   |              |              |              | <b>8</b>     |

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

**Other operating costs**

|   |              |              |                |              |
|---|--------------|--------------|----------------|--------------|
| Transportation, freight and travel expenses | (138)        | (118)        | (401)          | (325)        |
| Delivery costs capitalized as SAC           | 15           | 11           | 38             | 28           |
| Rent of buildings and cell sites            | (106)        | (70)         | (299)          | (225)        |
| Energy, water and others                    | (139)        | (98)         | (322)          | (294)        |
| International and satellite connectivity    | (41)         | (34)         | (108)          | (101)        |
|   | <b>(409)</b> | <b>(309)</b> | <b>(1,092)</b> | <b>(917)</b> |

**D&A**

|  |              |              |                |                |
|--|--------------|--------------|----------------|----------------|
| Depreciation of PP&E                               | (634)        | (492)        | (1,740)        | (1,447)        |
| Amortization of SAC and service connection charges | (203)        | (233)        | (596)          | (665)          |
| Amortization of other intangible assets            | (6)          | (6)          | (18)           | (18)           |
|  | <b>(843)</b> | <b>(731)</b> | <b>(2,354)</b> | <b>(2,130)</b> |

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

|                          |          |          |           |              |
|--------------------------|----------|----------|-----------|--------------|
| Gain on disposal of PP&E | 1        | 4        | 11        | 11           |
| Impairment of PP&E (iii) |          |          |           | (172)        |
|                          | <b>1</b> | <b>4</b> | <b>11</b> | <b>(161)</b> |

(iii) Includes 50 corresponding to the impairment of a commercial system of Personal, 109 corresponding to the impairment of construction in progress and materials of Telecom Argentina and 13 corresponding to prepaid expenses related to the write-down assets of Telecom Argentina as of September 30, 2013.

The operating expenses disclosed by function are as follows:

|   |                |                |                 |                 |
|---|----------------|----------------|-----------------|-----------------|
| Operating costs                                 | (4,705)        | (3,526)        | (12,800)        | (9,912)         |
| Administration costs                            | (366)          | (265)          | (1,014)         | (765)           |
| Commercialization costs                         | (2,313)        | (2,009)        | (6,475)         | (5,527)         |
| Other expenses provisions (Note 6.b)            |                | (128)          | (102)           | (225)           |
| Gain on disposal of PP&E and impairment of PP&E | 1              | 4              | 11              | (161)           |
|   | <b>(7,383)</b> | <b>(5,924)</b> | <b>(20,380)</b> | <b>(16,590)</b> |





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

|  | Three-month periods ended |                       | Nine-month periods ended |                       |
|--|---------------------------|-----------------------|--------------------------|-----------------------|
|  | September 30,<br>2014     | September 30,<br>2013 | September 30,<br>2014    | September 30,<br>2013 |
|  | <b>Profit (loss)</b>      |                       |                          |                       |
| <b>af) Financial results</b>   |                           |                       |                          |                       |
| <b>Finance income</b>  |                           |                       |                          |                       |
| Interest on time deposits  | 14                        | 174                   | 274                      | 429                   |
| Gains on investments (Argentine companies notes and governments bonds)                                   | 38                        | 15                    | 111                      | 23                    |
| Gains on Mutual Funds  | 39                        | 29                    | 113                      | 46                    |
| Interest on related parties (Note 5.d)   |                           | 2                     |                          | 3                     |
| Interest on receivables  | 39                        | 34                    | 119                      | 90                    |
| Foreign currency exchange gains  | 113                       | 125                   | 647                      | 249                   |
| Gain on NDF (Note 10.18)   |                           | 14                    | 42                       | 14                    |
| Other  | 3                         | 1                     | 3                        | 5                     |
| <b>Total finance income</b>  | <b>246</b>                | <b>394</b>            | <b>1,309</b>             | <b>859</b>            |
| <b>Finance expenses</b>  |                           |                       |                          |                       |
| Interest on loans - Núcleo   | (8)                       | (4)                   | (20)                     | (12)                  |
| Interest on salaries and social security payable, other taxes payables and accounts payable              | (11)                      | (5)                   | (31)                     | (13)                  |
| Interest on provisions   | (41)                      | (26)                  | (111)                    | (69)                  |
| Present value effect of salaries and social security payable, other taxes payables and other liabilities |                           | (2)                   | (3)                      | (7)                   |
| Foreign currency exchange losses (*)   | (96)                      | (194)                 | (852)                    | (380)                 |
| Losses on NDF (Note 10.18)   | (14)                      |                       | (62)                     |                       |
| Other  |                           |                       |                          | (1)                   |
| <b>Total finance expenses</b>  | <b>(170)</b>              | <b>(231)</b>          | <b>(1,079)</b>           | <b>(482)</b>          |
|  | <b>76</b>                 | <b>163</b>            | <b>230</b>               | <b>377</b>            |

(\*) Include 228 and 77 of foreign currency exchange losses generated by the acquisition of US\$ 100 million and US\$ 30 million of Government bonds in the nine-month periods ended September 30, 2014 and 2013, respectively.

**ag) Income taxes**

Income tax expense for the nine-month periods ended September 30, 2014 and 2013 consists of the following:

|   | <b>Profit (loss)</b> |                |                 |               |                |
|---|----------------------|----------------|-----------------|---------------|----------------|
|   | <b>The</b>           | <b>Telecom</b> |                 |               |                |
|   | <b>Company</b>       | <b>USA</b>     | <b>Personal</b> | <b>Núcleo</b> | <b>Total</b>   |
| Current tax expense   | (382)                | (4)            | (1,295)         | (18)          | <b>(1,699)</b> |
| Estimated income tax payable on cash dividends from foreign companies |                      |                | (19)            |               | <b>(19)</b>    |
| Fiscal year 2013 return adjustment                                    | 5                    |                |                 |               | <b>5</b>       |
| Deferred tax benefit  | 62                   |                | 233             | 2             | <b>297</b>     |
| Recovery of valuation allowance                                       |                      |                | 27              |               | <b>27</b>      |
| <b>Income tax expense as of September 30, 2014</b>                    | <b>(315)</b>         | <b>(4)</b>     | <b>(1,054)</b>  | <b>(16)</b>   | <b>(1,389)</b> |
| Current tax expense   | (280)                | (3)            | (1,174)         | (18)          | <b>(1,475)</b> |
| Estimated income tax payable on cash dividends from foreign companies |                      |                | (18)            |               | <b>(18)</b>    |
| Fiscal year 2012 return adjustment                                    |                      |                | (3)             |               | <b>(3)</b>     |
| Deferred tax benefit  | 96                   |                | 123             | 1             | <b>220</b>     |
| Valuation allowance   |                      |                | (3)             |               | <b>(3)</b>     |
| <b>Income tax expense as of September 30, 2013</b>                    | <b>(184)</b>         | <b>(3)</b>     | <b>(1,075)</b>  | <b>(17)</b>   | <b>(1,279)</b> |

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

|  | In Argentina   | Abroad<br>Profit (loss) | Total          |
|--|----------------|-------------------------|----------------|
| Pre-tax income on a separate return basis                | 6,053          | 148                     | <b>6,201</b>   |
| Non taxable items    Income from investments             | (2,128)        |                         | <b>(2,128)</b> |
| Non taxable items    Other                               | 24             | (32)                    | <b>(8)</b>     |
| <b>Subtotal</b>  | <b>3,949</b>   | <b>116</b>              | <b>4,065</b>   |
| Weighted statutory income tax rate                       | 35%            | (**)                    |                |
| <b>Income tax expense at weighted statutory tax rate</b> | <b>(1,382)</b> | <b>(20)</b>             | <b>(1,402)</b> |
| Income tax on dividends from foreign companies           | (19)           |                         | <b>(19)</b>    |
| Fiscal year 2013 return adjustment                       | 5              |                         | <b>5</b>       |
| Recovery of valuation allowance                          | 27             |                         | <b>27</b>      |
| <b>Income tax expense as of September 30, 2014</b>       | <b>(1,369)</b> | <b>(20)</b>             | <b>(1,389)</b> |

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

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

(\*) Effective income tax rate based on weighted statutory income tax rate in the different countries where the Telecom Group has operations. The statutory tax rate in Argentina was 35% for all the periods presented, in Paraguay was 10% plus an additional rate of 5% in case of payment of dividends for all the periods presented, in Uruguay the statutory tax rate was 25% for 2013 and in the USA the effective tax rate was 39.5%, for all the periods presented, respectively.

**NOTE 3 SUPPLEMENTARY CASH FLOW INFORMATION**

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

|                              | Nine-month periods ended<br>September 30, |               |
|------------------------------|---|---------------|
|                              | 2014                                      | 2013          |
| <b><u>Collections</u></b>    |   |               |
| Collections from customers   | 25,052                                    | 20,877        |
| Interests from customers     | 119                                       | 90            |
| Interests from time deposits | 385                                       | 382           |
| CPP collections              | 503                                       | 524           |
| NDF                          | 84  |               |
| <b>Subtotal</b>              | <b>26,143</b>                             | <b>21,873</b> |

**Payments**

|  |                 |                 |
|--|-----------------|-----------------|
| For the acquisition of assets and services                                 | (10,870)        | (8,426)         |
| For the acquisition of inventories   | (3,590)         | (2,238)         |
| NDF  | (48)            |                 |
| CPP payments   | (1,004)         | (973)           |
| Income taxes   | (1,783)         | (1,227)         |
| Other taxes  | (4,499)         | (3,826)         |
| Foreign currency exchange differences related to the payments to suppliers | (729)           | (212)           |
| <i>Inventory suppliers</i>   | (322)           | (109)           |
| <i>PP&amp;E suppliers</i>  | (321)           | (64)            |
| <i>Other suppliers</i>   | (86)            | (39)            |
| <b>Subtotal</b>  | <b>(22,523)</b> | <b>(16,902)</b> |
| <b>Net cash flow provided by operating activities</b>                      | <b>3,620</b>    | <b>4,971</b>    |

*Changes in assets/liabilities components:*

|  |                |                |
|--|----------------|----------------|
| <b>Net (increase) decrease in assets</b>             |                |                |
| Trade receivables                                    | (1,012)        | (649)          |
| Other receivables                                    | (117)          | (71)           |
| Other receivables related parties (Note 5.c)         | 32             | (190)          |
| Inventories  | (399)          | (534)          |
| Investments not considered cash and cash equivalents | (13)           | (115)          |
|  | <b>(1,509)</b> | <b>(1,559)</b> |
| <b>Net (decrease) increase in liabilities</b>        |                |                |
| Trade payables                                       | 56             | 1,139          |
| Deferred revenues                                    | 32             | 125            |
| Salaries and social security payables                | 87             | (17)           |
| Other taxes payables                                 | 32             | (12)           |
| Other liabilities                                    | 16             | 23             |
| Provisions   | (77)           | (44)           |
|  | <b>146</b>     | <b>1,214</b>   |

Income tax paid consists of the following:

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Tax returns and payments in advance | (1,646)        | (1,124)        |
| Other payments                      | (137)          | (103)          |
|                                     | <b>(1,783)</b> | <b>(1,227)</b> |

Table of Contents**TELECOM ARGENTINA S.A.***Main non-cash operating transactions:*

|   | <b>Nine-month periods<br/>ended September 30,</b> |             |
|---|---|-------------|
|   | <b>2014</b>                                       | <b>2013</b> |
| VAT credit balances offset with income taxes payments |   | 8           |
| SAC acquisitions offset with trade receivables        | 296   | 156         |
| Tax withholdings on Telecom Argentina s dividends     | 11  |             |

*Most significant investing activities:*

PP&amp;E acquisitions include:

|   |                |                |
|---|----------------|----------------|
| PP&E additions (Note 2.i)   | (3,474)        | (2,442)        |
| Plus:   |                |                |
| Payments of trade payables originated in prior periods acquisitions | (1,513)        | (800)          |
| Less:   |                |                |
| Acquisition of PP&E through incurrence of trade payables            | 1,165          | 1,006          |
| ARO   | 6              | 17             |
| Mobile handsets lent to customers at no cost (i)                    | 23             | 10             |
|   | <b>(3,793)</b> | <b>(2,209)</b> |

- (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.

Intangible assets acquisitions include:

|  |       |       |
|--|-------|-------|
| Intangible assets additions (Note 2.j) | (784) | (647) |
| Plus:                                  |       |       |



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|   |              |              |
|---|--------------|--------------|
| Payments of trade payables originated in prior periods acquisitions   | (108)        | (85)         |
| SAC acquisitions offset with trade receivables                        | (296)        | (156)        |
| Less:   |              |              |
| Acquisition of intangible assets through incurrence of trade payables | 414          | 273          |
|   | <b>(774)</b> | <b>(615)</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     | (164)          | (489)        |
| Argentine companies notes acquisition | (16)           | (10)         |
| Government bonds acquisition          | (947)          | (79)         |
| Argentine companies notes collection  | 28             | 5            |
| Government bonds collection           | 67             | 13           |
| Loan to Nortel                        |                | (18)         |
|                                       | <b>(1,032)</b> | <b>(578)</b> |

**Financing activities components:**

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

|  |             |              |
|--|-------------|--------------|
| Debt proceeds - Núcleo                                   |             | 203          |
| <b>Total financial debt proceeds (*)</b>                 |             | <b>203</b>   |
| Payment of bank loans Núcleo                             | (10)        | (152)        |
| <b>Total payment of financial debt (*)</b>               | <b>(10)</b> | <b>(152)</b> |
| Payment of interest on bank loans Núcleo                 | (24)        | (14)         |
| <b>Total payment of interest</b>                         | <b>(24)</b> | <b>(14)</b>  |
| <b>Acquisition of treasury shares- Telecom Argentina</b> |             | <b>(310)</b> |

(\*) In September 2013, 168 (equivalent to 130,000 millions of Guaranies) were taken mainly to pre-cancel financial debt amounting to 133 (equivalent to 103,000 millions of Guaranies).

**Cash dividends from Telecom Argentina**

During 1Q14 the Company paid \$44 related to tax withholdings on dividends paid to its shareholders by the end of 2013 in order to comply with its tax obligations. The amounts paid finally corresponded to: (i) income tax withholdings on dividends paid to its shareholders during December 2013 in the amount of \$17 and (ii) dividends paid to its shareholders in the amount of \$27.

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

The Company's Ordinary Shareholders' Meeting held on April 29, 2014, approved, in its second tranche of deliberations held on May 21, 2014, the payment of cash dividends in two equal installments of \$601 between the outstanding shares. The first installment was made available to shareholders on June 10, 2014. The amount paid includes: (i) income tax withholdings on dividends paid to shareholders in the amount of \$11 and (ii) tax on personal property on behalf of shareholders withholdings in the amount of \$10.

The Company's Board of Directors, at its meeting held on September 9, 2014, approved the payment of the second installment of cash dividends amounting to \$601 as from September 22, 2014. The dividends were paid before September 30, 2014, net of income tax withholdings on dividends for \$11 (which were paid to the Tax Authority during October). So, the dividends paid amounted to \$590 as of September 30, 2014.

**Cash dividends from Núcleo**

Núcleo's shareholders, at their meeting held on March 28, 2014, approved the distribution of cash dividends for an amount equivalent to \$160. The shareholders also decided to delegate in Núcleo's Board of Directors of the authority to determine the amount and time for the payments of these cash dividends.

On May 5, 2014 Núcleo's Board of Directors determined the following schedule of payments for the cash dividends:

| <b>Month of dividends payment</b> | <b>Dividends corresponding to Personal</b> | <b>Dividends corresponding to non-controlling shareholders ABC Telecomunicaciones</b> | <b>Total</b> |
|-----------------------------------|--|---|--------------|
| May 2014                          | 54   | 26  | 80           |
| October 2014 (*)                  | 54   | 26  | 80           |
| <b>Total (**)</b>                 | <b>108</b>                                 | <b>52</b>   | <b>160</b>   |

(\*) Paid on October 15, 2014.

(\*\*) Correspond to 90,000 millions of Guaraníes approved by the Ordinary Shareholders' Meeting of Núcleo, translated to Argentine pesos at the exchange rate of the date of its approval.

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

| <b>Month of dividends payment</b> | <b>Dividends<br/>corresponding<br/>to<br/>Personal</b> | <b>Dividends<br/>corresponding<br/>to<br/>non-controlling<br/>shareholders<br/>ABC<br/>Telecomunicaciones</b> | <b>Total</b> |
|-----------------------------------|--|---|--------------|
| May 2013                          | 34   | 16  | 50           |
| October 2013                      | 34   | 17  | 51           |
| <b>Total (*)</b>                  | <b>68</b>  | <b>33</b>   | <b>101</b>   |

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

#### **NOTE 4 SEGMENT INFORMATION**

Until fiscal year ended December 31, 2013, the Telecom Group carried out its activities through six companies, each identified as an operating segment. On February 19, 2014 Personal sold its equity interest in Springville; which results, assets and liabilities were included in the Personal Mobile Services segment and which figures were immaterial, as disclosed in Note 10.19 to the consolidated financial statements. Therefore, as from September 30, 2014, the Telecom Group carries out its activities through the five remaining companies which were consolidated by the end of fiscal year 2013 (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.

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

Segment financial information for the nine-month periods ended September 30, 2014 and 2013 was as follows:

*For the nine-month period ended September 30, 2014***Income statement**

|   | <b>Fixed<br/>Services</b> | <b>Mobile Services</b> |               |                 |                     |                |
|---|---------------------------|------------------------|---------------|-----------------|---------------------|----------------|
|   |                           | <b>Personal</b>        | <b>Núcleo</b> | <b>Subtotal</b> | <b>Eliminations</b> | <b>Total</b>   |
| <b>Total revenues and other income (1)</b>                | <b>7,535</b>              | <b>16,893</b>          | <b>1,161</b>  | <b>18,054</b>   | <b>(1,366)</b>      | <b>24,223</b>  |
| Employee benefit expenses and severance payments          | (2,903)                   | (1,010)                | (89)          | <b>(1,099)</b>  |                     | <b>(4,002)</b> |
| Interconnection costs and other telecommunication charges | (485)                     | (1,890)                | (148)         | <b>(2,038)</b>  | 987                 | <b>(1,536)</b> |
| Fees for services, maintenance, materials and supplies    | (1,058)                   | (1,574)                | (102)         | <b>(1,676)</b>  | 252                 | <b>(2,482)</b> |
| Taxes and fees with the Regulatory Authority              | (527)                     | (1,837)                | (35)          | <b>(1,872)</b>  |                     | <b>(2,399)</b> |
| Commissions   | (155)                     | (1,564)                | (110)         | <b>(1,674)</b>  | 42                  | <b>(1,787)</b> |
| Cost of equipments and handsets                           | (50)                      | (2,999)                | (70)          | <b>(3,069)</b>  |                     | <b>(3,119)</b> |
| Advertising   | (103)                     | (348)                  | (61)          | <b>(409)</b>    |                     | <b>(512)</b>   |
| Cost of VAS   | (12)                      | (624)                  | (43)          | <b>(667)</b>    |                     | <b>(679)</b>   |
| Provisions  | (58)                      | (44)                   |               | <b>(44)</b>     |                     | <b>(102)</b>   |
| Bad debt expenses   | (68)                      | (240)                  | (19)          | <b>(259)</b>    |                     | <b>(327)</b>   |
| Other operating expenses                                  | (573)                     | (542)                  | (62)          | <b>(604)</b>    | 85                  | <b>(1,092)</b> |
| <b>Operating income before D&amp;A</b>                    | <b>1,543</b>              | <b>4,221</b>           | <b>422</b>    | <b>4,643</b>    |                     | <b>6,186</b>   |
| Depreciation of PP&E                                      | (799)                     | (717)                  | (224)         | <b>(941)</b>    |                     | <b>(1,740)</b> |
| Amortization of intangible assets                         | (106)                     | (464)                  | (44)          | <b>(508)</b>    |                     | <b>(614)</b>   |
| Gain on disposal of PP&E                                  | 10                        | 1                      |               | <b>1</b>        |                     | <b>11</b>      |
| <b>Operating income</b>                                   | <b>648</b>                | <b>3,041</b>           | <b>154</b>    | <b>3,195</b>    |                     | <b>3,843</b>   |
| Financial results, net                                    | 256                       | (11)                   | (15)          | <b>(26)</b>     |                     | <b>230</b>     |
| <b>Income before income tax expense</b>                   | <b>904</b>                | <b>3,030</b>           | <b>139</b>    | <b>3,169</b>    |                     | <b>4,073</b>   |
| Income tax expense, net                                   | (319)                     | (1,054)                | (16)          | <b>(1,070)</b>  |                     | <b>(1,389)</b> |
| <b>Net income</b>   | <b>585</b>                | <b>1,976</b>           | <b>123</b>    | <b>2,099</b>    |                     | <b>2,684</b>   |

2,644

**Net income attributable to Telecom  
Argentina (Controlling Company)**

**Net income attributable to non-controlling  
interest** **40**

**2,684**

**(1)**

|                    |       |        |       |               |  |               |
|--------------------|-------|--------|-------|---------------|--|---------------|
| Service revenues   | 6,198 | 13,272 | 1,098 | <b>14,370</b> |  | <b>20,568</b> |
| Equipment revenues | 44    | 3,515  | 56    | <b>3,571</b>  |  | <b>3,615</b>  |
| Other income       | 24    | 16     |       | <b>16</b>     |  | <b>40</b>     |

|                                      |              |               |              |               |  |               |
|--------------------------------------|--------------|---------------|--------------|---------------|--|---------------|
| <b>Subtotal third party revenues</b> | <b>6,266</b> | <b>16,803</b> | <b>1,154</b> | <b>17,957</b> |  | <b>24,223</b> |
|--------------------------------------|--------------|---------------|--------------|---------------|--|---------------|

|                       |       |    |   |           |         |  |
|-----------------------|-------|----|---|-----------|---------|--|
| Intersegment revenues | 1,269 | 90 | 7 | <b>97</b> | (1,366) |  |
|-----------------------|-------|----|---|-----------|---------|--|

|  |              |               |              |               |                |               |
|--|--------------|---------------|--------------|---------------|----------------|---------------|
| <b>Total revenues and other income</b> | <b>7,535</b> | <b>16,893</b> | <b>1,161</b> | <b>18,054</b> | <b>(1,366)</b> | <b>24,223</b> |
|--|--------------|---------------|--------------|---------------|----------------|---------------|

**Statement of financial position  
information**

|                 |       |       |       |              |  |               |
|-----------------|-------|-------|-------|--------------|--|---------------|
| <b>PP&amp;E</b> | 7,351 | 4,409 | 1,354 | <b>5,763</b> |  | <b>13,114</b> |
|-----------------|-------|-------|-------|--------------|--|---------------|

|                               |     |       |    |              |     |              |
|-------------------------------|-----|-------|----|--------------|-----|--------------|
| <b>Intangible assets, net</b> | 379 | 1,265 | 60 | <b>1,325</b> | (1) | <b>1,703</b> |
|-------------------------------|-----|-------|----|--------------|-----|--------------|

|                                  |       |       |     |              |  |              |
|----------------------------------|-------|-------|-----|--------------|--|--------------|
| Capital expenditures on PP&E (a) | 1,433 | 1,429 | 173 | <b>1,602</b> |  | <b>3,035</b> |
|----------------------------------|-------|-------|-----|--------------|--|--------------|

|   |     |     |    |            |  |            |
|---|-----|-----|----|------------|--|------------|
| Capital expenditures on intangible assets (b) | 109 | 631 | 44 | <b>675</b> |  | <b>784</b> |
|---|-----|-----|----|------------|--|------------|

|   |              |              |            |              |  |              |
|---|--------------|--------------|------------|--------------|--|--------------|
| <b>Total capital expenditures (a)+(b)</b> | <b>1,542</b> | <b>2,060</b> | <b>217</b> | <b>2,277</b> |  | <b>3,819</b> |
|---|--------------|--------------|------------|--------------|--|--------------|

|  |              |              |            |              |  |              |
|--|--------------|--------------|------------|--------------|--|--------------|
| <b>Total additions on PP&amp;E and intangible<br/>assets</b> | <b>1,853</b> | <b>2,168</b> | <b>237</b> | <b>2,405</b> |  | <b>4,258</b> |
|--|--------------|--------------|------------|--------------|--|--------------|

|                                   |       |       |       |              |  |              |
|-----------------------------------|-------|-------|-------|--------------|--|--------------|
| <b>Net financial asset (debt)</b> | 1,235 | 2,507 | (216) | <b>2,291</b> |  | <b>3,526</b> |
|-----------------------------------|-------|-------|-------|--------------|--|--------------|

.. Geographic information

|                  | <b>Total revenues and other income</b><br><b>Breakdown by location</b><br><b>of</b><br><b>operations</b> | <b>Total non-current assets</b><br><b>Breakdown by location</b><br><b>of the Group's</b><br><b>customers</b> | <b>Total non-current assets</b><br><b>Breakdown by</b><br><b>location of</b><br><b>operations</b> |
|------------------|--|--|---|
| <b>Argentina</b> | 22,993   | 22,791   | 14,968  |
| <b>Abroad</b>    | 1,230  | 1,432  | 1,455   |
| <b>Total</b>     | <b>24,223</b>  | <b>24,223</b>  | <b>16,423</b>   |

Table of Contents

## TELECOM ARGENTINA S.A.

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

.. Income statement

|   | <b>Fixed<br/>Services</b> | <b>Mobile Services</b> |               |                 |                     |               |
|---|---------------------------|------------------------|---------------|-----------------|---------------------|---------------|
|   |                           | <b>Personal</b>        | <b>Núcleo</b> | <b>Subtotal</b> | <b>Eliminations</b> | <b>Total</b>  |
| <b>Total revenues and other income (1)</b>                | <b>6,041</b>              | <b>13,959</b>          | <b>854</b>    | <b>14,813</b>   | <b>(1,001)</b>      | <b>19,853</b> |
| Employee benefit expenses and severance payments          | (2,155)                   | (780)                  | (61)          | (841)           |                     | (2,996)       |
| Interconnection costs and other telecommunication charges | (392)                     | (1,591)                | (131)         | (1,722)         | 728                 | (1,386)       |
| Fees for services, maintenance, materials and supplies    | (809)                     | (1,158)                | (74)          | (1,232)         | 164                 | (1,877)       |
| Taxes and fees with the Regulatory Authority              | (424)                     | (1,505)                | (25)          | (1,530)         |                     | (1,954)       |
| Commissions   | (132)                     | (1,434)                | (82)          | (1,516)         | 41                  | (1,607)       |
| Cost of equipments and handsets                           | (49)                      | (2,057)                | (63)          | (2,120)         |                     | (2,169)       |
| Advertising   | (102)                     | (306)                  | (44)          | (350)           |                     | (452)         |
| Cost of VAS   | (7)                       | (472)                  | (24)          | (496)           |                     | (503)         |
| Provisions  | (159)                     | (66)                   |               | (66)            |                     | (225)         |
| Bad debt expenses   | (47)                      | (166)                  | (8)           | (174)           |                     | (221)         |
| Recovery of restructuring costs                           | 8                         |                        |               |                 |                     | 8             |
| Other operating expenses                                  | (504)                     | (441)                  | (40)          | (481)           | 68                  | (917)         |
| <b>Operating income before D&amp;A</b>                    | <b>1,269</b>              | <b>3,983</b>           | <b>302</b>    | <b>4,285</b>    |                     | <b>5,554</b>  |
| Depreciation of PP&E                                      | (667)                     | (645)                  | (135)         | (780)           |                     | (1,447)       |
| Amortization of intangible assets                         | (82)                      | (575)                  | (26)          | (601)           |                     | (683)         |
| Gain on disposal of PP&E and impairment of PP&E           | (109)                     | (53)                   | 1             | (52)            |                     | (161)         |
| <b>Operating income</b>                                   | <b>411</b>                | <b>2,710</b>           | <b>142</b>    | <b>2,852</b>    |                     | <b>3,263</b>  |
| Financial results, net                                    | 116                       | 272                    | (11)          | 261             |                     | 377           |
| <b>Income before income tax expense</b>                   | <b>527</b>                | <b>2,982</b>           | <b>131</b>    | <b>3,113</b>    |                     | <b>3,640</b>  |
| Income tax expense, net                                   | (187)                     | (1,075)                | (17)          | (1,092)         |                     | (1,279)       |
| <b>Net income</b>   | <b>340</b>                | <b>1,907</b>           | <b>114</b>    | <b>2,021</b>    |                     | <b>2,361</b>  |
|   |                           |                        |               |                 |                     | <b>2,324</b>  |



|   |              |
|---|--------------|
| <b>Net income attributable to Telecom Argentina (Controlling Company)</b> |              |
| <b>Net income attributable to non-controlling interest</b>                | <b>37</b>    |
|   | <b>2,361</b> |

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

.. Statement of financial position information

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

.. Geographic information

|                  | Total revenues and other<br>income<br>Breakdown by location<br>of<br>operations | Breakdown by location<br>of<br>the Group's<br>customers | Total non-current assets<br>Breakdown by<br>location<br>of operations |
|------------------|---|---|---|
| <b>Argentina</b> | 18,952  | 18,814  | 10,817  |
| <b>Abroad</b>    | 901   | 1,039   | 1,028   |
| <b>Total</b>     | <b>19,853</b>   | <b>19,853</b>   | <b>11,845</b>   |

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**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 September 30, 2014, 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 as of September 30, 2014, Nortel's equity interest in Telecom Argentina amounts to 55.60% of the outstanding shares. Pursuant to Section 221 of the LSC, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings.

All of the common shares of Nortel belong to Sofora. As of September 30, 2014 these shares represent 78.38% of the capital stock of Nortel.

As of September 30, 2014, Sofora's shares belonged to Telecom Italia S.p.A. (32.5%), to Telecom Italia International N.V. (35.5%), (Telecom Italia S.p.A. y Telecom Italia International N.V., jointly, the Telecom Italia Group) and to W de Argentina - Inversiones S.L. (32%).

During 2011, Telecom Italia International N.V. acquired 8% of all Nortel Preferred Class B Shares and Telecom Argentina Class B shares, representing 1.58% of Telecom Argentina's capital stock, through Tierra Argentea S.A. (Tierra Argentea), its controlled company incorporated in Argentina.

On November 14, 2013, Telecom Italia S.p.A y Telecom Italia International N.V. (jointly, the Sellers) and Tierra Argentea (a company controlled by the Sellers) announced the acceptance of an offer by the Fintech Group 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 the prior obtaining of certain regulatory authorizations therefore required.

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

On October 25, 2014, Telecom Italia S.p.A. announced the acceptance of an offer by the Fintech Group 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. agreed the transfer of 17% of the capital stock of Sofora to the Fintech Group; 2) it was confirmed that the transfer of the 51% controlling interest in Sofora is subject to the prior regulatory approval of the SC and closing of the transaction will not occur until such approval is obtained. It is expected that the transfer of such controlling interest will take place within the next two and one-half years.

It was informed that the majority of the members of Sofora's Board of Directors will continue to be appointed by the Telecom Italia Group until the regulatory authorizations in Argentina are obtained and the transfer of the 51% controlling interest in Sofora is completed. No material changes in Sofora and its subsidiaries' corporate governance are expected.

It was also informed that: *if the sale of 51% of Sofora to Fintech is not completed within two and one-half years, Telecom Italia may then elect to either (i) terminate the agreement with Fintech and receive a six-month call option to purchase (or designate a Telecom Italia Group company to purchase) the 17% minority interest in Sofora previously sold to Fintech pursuant to an agreed formulation or (ii) pursue a sale of its 51% controlling interest in Sofora to a third party purchaser, subject to applicable regulatory approval and as to which Fintech has agreed to guarantee that Telecom Italia will receive an overall amount of at least U\$S 630.6 million. After such third party sale is consummated, if the overall amount received in connection with such approved sale exceeds the purchase price amount guaranteed by Fintech, any excess will be allocated between the parties according to an agreed formula.*

*If it was not possible for Telecom Italia to sell to a third party within a period of two and one-half years, the agreement with Fintech will be terminated, Fintech will pay to Telecom Italia an amount of U\$S 175 million and Telecom Italia will have an option to purchase (or designate a Telecom Italia Group company to purchase) within a period of six months the 17% minority interest in Sofora previously transferred to Fintech, pursuant to a formula agreed by the parties.*

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

As of the date of issuance of these financial statements, Sofora's shares belong to Telecom Italia S.p.A. (32.5%), Telecom Italia International N.V. (18.5%); W de Argentina - Inversiones S.L. (32%) and Fintech Telecom LLC (17%).

The economic rights of Telecom Italia Group in Telecom Argentina amounted to 19.30% as of September 30, 2014 and to 14.5% as of the date of issuance of these consolidated financial statements.

More information about the operation celebrated between the Telecom Italia Group and the Fintech Group is available in Relevant Facts section of the CNV at [www.cnv.gob.ar](http://www.cnv.gob.ar), and in Company filings search section (Telecom Italia S.p.A and Telecom Argentina) of the SEC in [www.sec.gov](http://www.sec.gov).

**b) Related parties**

For the purposes of these financial statements, related parties are those individuals or legal entities which are related (in terms of IAS 24) to the Telecom Italia Group or W de Argentina - Inversiones SL, except Nortel and companies under sect. 33 of Law No. 19,550 (subsidiaries or affiliates).

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

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

**c) Balances with related parties****Related parties**

|                                   | Type of related party | September 30,<br>2014 | December 31,<br>2013 |
|-----------------------------------|-----------------------|-----------------------|----------------------|
| <b>CURRENT ASSETS</b>             |                       |                       |                      |
| <b>Trade receivables</b>          |                       |                       |                      |
| Telecom Italia Sparkle S.p.A. (a) | Other related party   |                       | 1                    |

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|  |                         |          |          |
|--|-------------------------|----------|----------|
| Latin American Nautilus Argentina S.A. (a) | Other related party     | 1        | 1        |
| Telecom Italia S.p.A. (a)                  | Indirect parent company | 1        |          |
| Caja de Seguros (a) (b)                    | Other related party     | 2        |          |
|  |                         | <b>4</b> | <b>2</b> |

**Other receivables**

|                                      |                     |            |            |
|--------------------------------------|---------------------|------------|------------|
| Latin American Nautilus Ltd. (a) (c) | Other related party | 58         | 76         |
| Caja de Seguros S.A. (a) (b)         | Other related party | 52         | 27         |
|                                      |                     | <b>110</b> | <b>103</b> |

**NON-CURRENT ASSETS**

**Other receivables**

|                                      |                     |           |           |
|--------------------------------------|---------------------|-----------|-----------|
| Latin American Nautilus Ltd. (a) (c) | Other related party | 49        | 88        |
|                                      |                     | <b>49</b> | <b>88</b> |

**CURRENT LIABILITIES**

**Trade payables**

|   |                         |            |            |
|---|-------------------------|------------|------------|
| Italtel Group (a)   | Other related party     | 75         | 176        |
| Latin American Nautilus Ltd. (a)                            | Other related party     | 7          | 3          |
| Telecom Italia S.p.A. (a)                                   | Indirect parent company | 6          | 12         |
| Telecom Italia Sparkle S.p.A. (a)                           | Other related party     | 8          | 9          |
| Latin American Nautilus USA Inc. (a)                        | Other related party     | 2          | 2          |
| Latin American Nautilus Argentina S.A. (a)                  | Other related party     | 1          |            |
| TIM Participações S.A. (a)                                  | Other related party     | 3          | 1          |
| Caja de Seguros S.A. (a) (b)                                | Other related party     | 47         | 38         |
| La Caja Aseguradora de Riesgos del Trabajo ART S.A. (a) (b) | Other related party     | 5          | 6          |
|   |                         | <b>154</b> | <b>247</b> |

**Dividends payables**

|                             |                     |           |  |
|-----------------------------|---------------------|-----------|--|
| ABC Telecomunicaciones S.A. | Other related party | 26        |  |
|                             |                     | <b>26</b> |  |

Table of Contents

## TELECOM ARGENTINA S.A.

## d) Transactions with related parties

Direct parent company

|                                | Transaction description | Nine-month periods ended September 30, |          |
|--------------------------------|-------------------------|--|----------|
|                                |                         | 2014                                   | 2013     |
| <b>Financial results</b>       |                         |  |          |
| Nortel                         | Interest                |  | 3        |
| <b>Total financial results</b> |                         |  | <b>3</b> |

Related parties

| Transaction description                    |       |           | Type of related party   | Nine-month periods ended September 30, |            |
|--|-------|-----------|-------------------------|--|------------|
|  |       |           |                         | 2014                                   | 2013       |
|  |       |           |                         | Profit (loss)                          |            |
| <b>Services rendered</b>                   |       |           |                         |  |            |
| TIM Participações S.A. (a)                 | Voice | Wholesale | Other related party     | 10                                     | 11         |
| Telecom Italia Sparkle S.p.A. (a)          | Voice | Wholesale | Other related party     | 23                                     | 16         |
| Telecom Italia S.p.A. (a)                  | Voice | Wholesale | Indirect parent company | 2                                      | 2          |
| Latin American Nautilus Argentina S.A. (a) | Voice | Wholesale | Other related party     | 5                                      | 1          |
| Caja de Seguros S.A. (a) (b)               |       | Equipment | Other related party     | 222                                    | 137        |
| Caja de Seguros S.A. (a) (b)               | Voice | Retail    | Other related party     | 68                                     | 31         |
| <b>Total services rendered</b>             |       |           |                         | <b>330</b>                             | <b>198</b> |

| Transaction description          |  |  | Type of related party | Nine-month periods ended September 30, |      |
|----------------------------------|--|--|-----------------------|--|------|
|                                  |  |  |                       | 2014                                   | 2013 |
|                                  |  |  |                       | Profit (loss)                          |      |
| <b>Services received</b>         |  |  |                       |  |      |
| Latin American Nautilus Ltd. (a) |  |  | Other related party   | (106)                                  | (78) |

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|   |  |                         |              |              |
|---|--|-------------------------|--------------|--------------|
|   | International outbound calls and data  |                         |              |              |
| Grupo Italtel (a)   | Maintenance, materials and supplies    | Other related party     | (53)         | (16)         |
| Telecom Italia Sparkle S.p.A. (a)                           | International outbound calls and other | Other related party     | (41)         | (22)         |
| Telecom Italia S.p.A. (a)                                   | Fees for services and roaming          | Indirect parent company | (8)          | (17)         |
| TIM Participações S.A. (a)                                  | Roaming                                | Other related party     | (22)         | (10)         |
| Latin American Nautilus Argentina S.A. (a)                  | International outbound calls           | Other related party     | (8)          | (6)          |
| Latin American Nautilus USA Inc. (a)                        | International outbound calls           | Other related party     | (6)          | (5)          |
| La Caja Aseguradora de Riesgos del Trabajo ART S.A. (a) (b) | Salaries and social security           | Other related party     | (43)         | (35)         |
| Caja de Seguros S.A. (a) (b)                                | Insurance                              | Other related party     | (17)         | (13)         |
| La Estrella Seguros de Retiro S.A. (a) (b)                  | Insurance                              | Other related party     | (6)          | (6)          |
| <b>Total services received</b>                              |  |                         | <b>(310)</b> | <b>(208)</b> |
| <b><u>Purchases of PP&amp;E</u></b>                         |  |                         |              |              |
| Grupo Italtel (a)   |  | Other related party     | 99           | 90           |
| <b>Total purchases of PP&amp;E</b>                          |  |                         | <b>99</b>    | <b>90</b>    |

(a) Such companies relate to Telecom Italia Group.

(b) Such companies relate to W de Argentina - Inversiones S.L.

(c) Corresponds to an agreement of lease-mode IP international capacity until December 2016. The Company paid approximately \$267.6 on February 2013 for this agreement.

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 \$45 for the nine-month periods ended September 30, 2014 and 2013, respectively, and was recorded as expenses under the item line Employee benefits expenses and severance payments. The total expense remuneration is comprised as follows:

|                               | Three-month periods ended |           | Nine-month periods ended |           |
|-------------------------------|---------------------------|-----------|--------------------------|-----------|
|                               | September 30,<br>2014     | 2013      | September 30,<br>2014    | 2013      |
| Salaries (*)                  | 5                         | 6         | 22                       | 20        |
| Variable compensation (*)     | (1)                       | 6         | 8                        | 14        |
| Social security contributions | 1                         | 3         | 8                        | 8         |
| Termination benefits          |                           |           | 7                        | 3         |
|                               | <b>5</b>                  | <b>15</b> | <b>45</b>                | <b>45</b> |

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



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

As of September 30, 2014 and December 31, 2013, an amount of \$8 and \$25 remained unpaid, respectively.

As of September 30, 2014 and 2013, the Telecom Group has recorded a provision of \$13 and \$12, 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.

**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 \$5,307 as of September 30, 2014 (of which \$1,784 corresponds to PP&E commitments), primarily related to the supply of switching equipment, external wiring, infrastructure agreements, inventory and other service agreements.

**b) Contingencies**

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

The determination of the required provisions may change in the future due to new developments or unknown facts at the time of the evaluation of the claims or changes as a matter of law or legal interpretation. Consequently, as of September 30, 2014, the Telecom Group has recorded provisions in an aggregate amount of \$1,426 to cover potential losses under these claims (\$85 for regulatory contingencies deducted from assets and \$1,341 included under provisions) and certain amounts deposited in the Company's bank accounts have been restricted as to their use due to some judicial proceedings. As of September 30, 2014, these restricted funds totaled \$43 (included under Other receivables item line in the consolidated statement of financial position).

Provisions consist of the following:

| Balances<br>as of<br>December 31,<br>2013 | Additions<br>Interest<br>Capital | (ii) Reclassifications | Decreases<br>Classified<br>liability<br>Payments | Balances<br>as of<br>September 30,<br>2014 |
|---|----------------------------------|------------------------|--|--|
|---|----------------------------------|------------------------|--|--|

| <b>Current</b>   |              |               |            |             |             |             |              |
|--|--------------|---------------|------------|-------------|-------------|-------------|--------------|
| Provision for civil and commercial proceedings         | <b>133</b>   |               |            | (9)         | (47)        | (13)        | <b>64</b>    |
| Provision for labor claims                             | <b>44</b>    |               |            | 47          |             | (49)        | <b>42</b>    |
| Provision for regulatory, tax and other matters claims | <b>47</b>    |               |            | 31          |             | (15)        | <b>63</b>    |
| <b>Total current provisions</b>                        | <b>224</b>   |               |            | <b>69</b>   | <b>(47)</b> | <b>(77)</b> | <b>169</b>   |
| <b>Non-current</b>                                     |              |               |            |             |             |             |              |
| Provision for civil and commercial proceedings         | <b>139</b>   | 33            | 23         | 9           |             |             | <b>204</b>   |
| Provision for labor claims                             | <b>263</b>   | 41            | 43         | (47)        |             |             | <b>300</b>   |
| Provision for regulatory, tax and other matters claims | <b>525</b>   | 17            | 37         | (31)        |             |             | <b>548</b>   |
| Asset retirement obligations                           | <b>106</b>   | 6             | 8          |             |             |             | <b>120</b>   |
| <b>Total non-current provisions</b>                    | <b>1,033</b> | <b>(i) 97</b> | <b>111</b> | <b>(69)</b> |             |             | <b>1,172</b> |
| <b>Total provisions</b>                                | <b>1,257</b> | <b>97</b>     | <b>111</b> |             | <b>(47)</b> | <b>(77)</b> | <b>1,341</b> |

- (i) 102 included in Provisions, 6 included in CAPEX and a recovery of (11) for Personal s obligations prescriptions included in Other income.
- (ii) Included in Finance costs, in the line Interest on provisions

Table of Contents

## TELECOM ARGENTINA S.A.

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

(i) 225 included in Provisions and 17 included in CAPEX.

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

(iii) The restructuring plan was implemented during 4Q12 and concluded in 2Q13.

**NOTE 7 EQUITY**

Equity includes:

September 30,  
2014

December 31,  
2013

|   |               |               |
|---|---------------|---------------|
| Equity attributable to Telecom Argentina<br>(Controlling Company) | 13,378        | 11,783        |
| Equity attributable to non-controlling interest                   | 336           | 268           |
| <b>Total equity (*)</b>   | <b>13,714</b> | <b>12,051</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 September 30, 2014 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   | 466,858,524   | 15,221,373        | 482,079,897         |
| Class C   | 266,782   |                   | 266,782             |
| <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

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 above mentioned, on May 22, 2013, the Board of Directors approved a Company's Treasury Shares Acquisition Program in the market in Argentine pesos (the Treasury Shares Acquisition Program) so as to avoid any possible damages to the Company and its shareholders derived from fluctuations and unbalances between the shares' price and the Company's solvency, for the following maximum amount and deadline:

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

Deadline for the acquisitions: until April 30, 2014.

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

According to the offer made on November 7, 2013 by the Fintech Group 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, 2013, 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).

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

As of September 30, 2014 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 LSC, the by-laws of the Company and rules and regulations of the CNV, a minimum of 5% of net income for the year in accordance with the statutory books, plus/less previous years adjustments and accumulated losses, if any, must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock). On May 21, 2014, Telecom Argentina reached the maximum amount of its Legal Reserve according to LSC and CNV provisions previously disclosed.

**NOTE 9 SELECTED CONSOLIDATED QUARTERLY INFORMATION**

| <b>Quarter</b> | <b>Revenues</b> | <b>Operating<br/>income before<br/>D&amp;A</b> | <b>Operating<br/>income</b> | <b>Financial<br/>results, net</b> | <b>Net<br/>income</b> | <b>Net<br/>income<br/>attributable<br/>to<br/>Telecom</b> |
|----------------|-----------------|--|-----------------------------|-----------------------------------|-----------------------|---|
|----------------|-----------------|--|-----------------------------|-----------------------------------|-----------------------|---|

|                                 | <b>Argentina</b> |              |              |            |              |              |
|---------------------------------|------------------|--------------|--------------|------------|--------------|--------------|
| <b><u>Fiscal year 2014:</u></b> |                  |              |              |            |              |              |
| <b>March 31,</b>                | 7,466            | 2,112        | 1,377        | (32)       | 906          | 889          |
| <b>June 30,</b>                 | 8,119            | 2,007        | 1,241        | 186        | 930          | 916          |
| <b>September 30,</b>            | 8,598            | 2,067        | 1,225        | 76         | 848          | 839          |
|                                 | <b>24,183</b>    | <b>6,186</b> | <b>3,843</b> | <b>230</b> | <b>2,684</b> | <b>2,644</b> |
| <b><u>Fiscal year 2013:</u></b> |                  |              |              |            |              |              |
| <b>March 31,</b>                | 6,064            | 1,799        | 1,115        | 135        | 813          | 802          |
| <b>June 30,</b>                 | 6,649            | 1,825        | 945          | 79         | 662          | 652          |
| <b>September 30,</b>            | 7,114            | 1,930        | 1,203        | 163        | 886          | 870          |
| <b>December 31,</b>             | 7,460            | 2,010        | 1,255        | 151        | 893          | 878          |
|                                 | <b>27,287</b>    | <b>7,564</b> | <b>4,518</b> | <b>528</b> | <b>3,254</b> | <b>3,202</b> |

**NOTE 10 RECENT DEVELOPMENTS CORRESPONDING TO THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014 FOR THE TELECOM GROUP**

**1. Resolution SC No. 5/13**

On July 2, 2013, SC Resolution No. 5/13 was published approving the Telecommunication service quality regulation , which establishes, among others, exigent quality parameters required for telecommunication services provided through mobile and fixed public networks, for all the operators in Argentina and the obligation to provide periodic information to the CNC.

CNC Resolution No. 3,797/13 was published on November 13, 2013, supplementing SC Resolution No. 5/13 and approving the Audit Procedures and Technical Verification of Service Quality Regulation of Telecommunications Services Manual.

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**Table of Contents**

**TELECOM ARGENTINA S.A.**

Pursuant to the provisions of CNC Resolution No. 3,797/13, the Company and Personal have complied with the presentation of the *Technical Reports* (detailed technical specifications of the measurement process) and have also made their presentations providing the required information pursuant to the provisions of SC Resolution No. 5/13.

On August 14, 2014 the CNC notified the Company and Personal that the audits and technical verifications to be carried out by the Regulatory Authority over the provision of services for which the Company and Personal are licensed, will be performed taking into account the procedures and measuring methods explained in the corresponding submissions of the *Technical Reports*, and that the activity shall be performed based on the founding principles set forth in Resolutions SC N°5/13 and CNC N° 3,797/13. Notwithstanding the foregoing, the CNC is currently performing verification tasks of the mobile services through call and data tests with mobile measuring equipment in several places of the country, using procedures different from those defined in the Quality Regulations, and publishing the obtained results in the link [quenosecorte.gob.ar](http://quenosecorte.gob.ar).

Within the frame of such verifications, the CNC has begun sanctioning procedures against Personal on the basis of alleged violations of Resolution CNC N° 3,797/13. Personal's Management has solid legal arguments that will be timely submitted when filing the corresponding response for the defense of its rights.

As of the date of issuance of these consolidated financial statements, Telecom Argentina and Personal continue analyzing the operational aspects required by the new regulations as well as its regulatory and economic impact and applicable actions to be taken. Notwithstanding, as the enforcement of this Resolution is subject to compliance with specific items for implementation with prior approval of the CNC, Telecom Argentina and Personal have made the relevant legal reserves in each of their presentations.

**2. Changes in the pricing method of mobile services and the information requirements on the commercial conditions of mobile services plans**

SC Resolution No. 26/13 issued on December 17, 2013 changed the pricing method of calls originating on mobile services and the mechanism for informing the CNC of the commercial conditions of existing plans. The new resolution establishes that calls originated by users of mobile communications will be charged per second and the pricing of each call will comprise a fixed value corresponding to the Initial Communication Block (including up to the first 30 seconds), plus additional charges per second after the 30th second of communication has elapsed.

Personal has made the necessary implementations to comply with the new provisions. Also, the CNC has initiated audits designed to verify the compliance of Personal with the implementation of the new pricing method, according to which has initiated some sanctioning processes in which Personal have already filed its defense, providing solid legal arguments as a result of which such accusations should not prevail.

**3. Information Disclosure of Mobile Communication Services**

On June 11, 2014, Joint Resolution No. 29 of the SC and No. 81 of the Secretary of Commerce was published in the Official Bulletin, establishing new rules concerning the information that mobile communication services providers must disclose to consumers, regularly and free of charge. The Resolution became effective at the end of July, 2014.



Personal has made the necessary developments in its systems, in accordance with the timetable submitted to the CNC on July 22, 2014. However, the CNC has begun audits for purposes of verifying compliance with such Resolution, initiating a sanctioning procedure in which Personal has filed its response in defense of its rights.

#### **4. Spectrum**

##### **Decree No. 671/14**

Decree No. 671, published in the Official Bulletin on May 14, 2014, superseded Sections 2nd and 3rd of Decree No. 2,426 issued on December 13, 2012, which provided that the remaining spectrum in 850 MHz and in 1,900 MHz be assigned to the state-owned operator ARSAT. Such remaining spectrum had been subject to a public auction called by Resolution SC No. 57/11, which later became ineffective for reasons of opportunity, merit and convenience.

The above mentioned Decree also readjusts the previous assignments of the new spectrum bands, instructing the SC to implement the applicable measures to assign both 108 MHz of the bands contained between 698-806 MHz, and 120 MHz between the 1,710-1,770 and 2,110-2,170 MHz bands exclusively to the Land Mobile Service .

**Table of Contents**

**TELECOM ARGENTINA S.A.**

In addition, the above mentioned Decree instructs the SC to call a public auction for this new spectrum, in addition to the remaining spectrum in the 850 and 1,900 MHz bands mentioned above (band 1,900: 30 MHz in the North Area and AMBA; 35 MHz in the South Area, and band 850: 7.5 MHz in AMBA).

**Resolution SC No. 17/14**

Resolution SC No. 17, published in the Official Bulletin on May 16, 2014, assigns 120 MHz of the 1,710-1,770 MHz and 2,110-2,170 MHz bands to the Land Mobile Service, leaving previous assignments without effect.

In addition, Resolution SC No. 17 ratifies the suspension, in effect since 2001, to make new assignments of frequencies in the band segments next to those, from 1,770-850 MHz and from 2,170-2,200 MHz.

The above mentioned Resolution also provides that systems which are currently operating by other operators in the newly assigned bands must migrate within a two year period, for which purpose they must contact the applicable Regulatory Authority, within 60 days of the publication of such Resolution, to coordinate their systems migration.

**Resolution SC No. 18/14**

Resolution SC No. 18, published in the Official Bulletin on May 19, 2014, assigns 108 MHz of the 698 to 806 band to the Land Mobile Service, leaving previous assignments (broadcasting and fixed systems) without effect.

In addition, this Resolution, as well as Resolution No. 17/14 referred to above, provides that systems which are currently operated by other operators in the above mentioned band must migrate within a two year period, for which purpose they must contact the applicable Regulatory Authority, within 60 days of the publication of this Resolution, to coordinate their systems migration.

**Resolution SC No. 37/14**

Resolution SC No. 37, published in the Official Bulletin on July 7, 2014, approved the General Regulations for the Advanced Mobile Communications Service (SCMA), which defines such service as: *telecommunications wireless service which, by the use of digital access technology, supports low and high user s mobility, high rates of data transfer, interoperability with other fixed and mobile networks, with capacity for international roaming and oriented to the switch of packages that allow the use of a broad range of applications, including those based on multimedia content* .

The SCMA shall be provided by using the 698 to 806 MHz band (108 MHz) and the 1,710 to 1,770 MHz and 2,110 to 2,170 MHz bands (120 MHz). A 60 MHz limit of maximum spectrum for each provider is set forth and all the national territory is considered as a sole Area of Use of this service.

The network technology and architecture shall be freely chosen by each provider. However, certain minimum parameters are set forth, such as supporting bandwidth channels of 10, 15 and 20 MHz, and reaching theoretical high peak speeds of 100 and 50 Mbps, for the descending and ascending connections respectively, for a 20 MHz channel and support high spectral efficiencies (5 and 2.5 bps/MHz, respectively, for each direction of transmission). It also sets forth minimum speeds of 14Mbps for the descending connections and 6Mbps for the ascending connections.

The SCMA shall be subject to the rules set forth in these Regulations, the List of Conditions issued for the frequency bands auctions to be used for the provision of this service and the regulations to be approved to such effect.

**Resolution SC No. 38/14**

Resolution SC No. 38, published on the Official Bulletin on July 7, 2014, provided that: **(i)** call a public auction for the assignment of the remaining frequencies of the Personal Communications Service (PCS) and of the Mobile Cellular Radiocommunications Service (SRMC), as well as the new spectrum for the Advanced Mobile Communications Service (SCMA) recently created and **(ii)** approve the List of Conditions to auction simultaneously all of the remaining spectrum of the 850 and 1,900 MHz bands, and the 698 to 806 MHz bands, plus 90 MHz of the 1,710/1,770 2,110/2,170 MHz bands for the SCMA service (leaving outside of the auction and available for future use, 30 MHz corresponding to the 1,755-1,770 and 2,155-2,170 sub-band), complying with the applicable spectrum maximums (50 MHz for SRCM + PCS and 60 MHz for SCMA).

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

The above mentioned List of Conditions set forth the general principles and conditions of the auction, the applicable rules, the auction timetable, the List of Conditions purchase price (\$200,000 pesos), the economic capacity ( Equity of \$1,500) and conditions of the offerors (they shall be telecommunications licensees), the economic-financial and technical documentation to be submitted for the prequalification, the coverage compliance obligations of the successful bidders, the base values of the frequency bands to be auctioned, and the procedures and formalities of the public auction.

The List of Conditions organizes the aggregate of the spectrum to be auctioned in 10 Lots:

The first one, to be auctioned exclusively among entering operators who qualify for the public auction, shall be comprised of 20 MHz in the 1,900 MHz band for each of the three Regions, plus 20 MHz in the 700 MHz band and other 20 MHz in the 1,700/2,100 MHz band.

Another six lots shall be comprised by spectrum segments in the 850 and 1,900 MHz bands, which would allow two of the current mobile operators (Claro and Personal), if they become successful bidders, to complete their respective spectrum limits taking into account that Movistar has already reached its limit- in each of the Regions of operation of the SRMC and PCS services: Personal could acquire up to 5 MHz in the North Area, up to 7.5 MHz in the AMBA and up to 10 MHz in the South Area, while Claro could acquire up to 5 MHz in the North Area, up to 10 MHz in AMBA and up to 5 MHz in the South Area.

And three final lots, comprised, each one, by combinations of segments of 20 or 30 MHz of new spectrum in the 700 and 1,700/2,100 MHz. bands (creating two lots of 50 MHz and the last one of 40 MHz, respectively). The MHz base price for the bandwidth to be auctioned shall be fixed in U.S. dollars, as detailed below:

| <b>BAND</b>        | <b>MHZ</b> | <b>BASE PRICE</b><br><b>(in U\$S millions)</b> |
|--------------------|------------|--|
| SCMA (700 MHz)     |            | 9.87   |
| SCMA (1.7/2.1 GHz) |            | 9.44   |
| SRMC               |            | 6.00   |
| PCS Area I         |            | 1.00   |
| PCS Area II        |            | 4.40   |
| PCS Area III       |            | 0.60   |

The selection procedure for the best economic offer shall consist of an auction of each of the Lots ( The Public Auction ).

The authorizations for the use of the frequencies subject to the public auction shall be granted for a fifteen (15) year period starting on the date on which the administrative act of choosing a bidder is notified. Once such period ends, the SC may extend it if expressly required by the successful bidder (which extension shall be subject to the price and conditions to be determined by the SC).

The List of Conditions provide for certain coverage obligations to be reached within a five year period (places of up to 500 habitants throughout the country and almost all the corridors of relevant federal and provincial roads, setting forth various intermediate stages for complying with such unfolding). It also imposes certain obligations of domestic roaming (which are not taken into account for the calculation of the coverage obligations) and of sharing of passive infrastructure with the Entering Operators (in up to 50% of the sites that the latter must unfold). In addition, as consideration for the acquisition of even only one of the six lots corresponding to the SRMC or PCS services, the current mobile operators must guarantee that all their sites provide broad band of at least 1Mbps (descending), at the end of the fifth year.

On July 24, 2014, Personal acquired the Public Auction's List of Conditions, and on August 28, 2014 and September 4, 2014, made some filings before the SC making inquiries and requesting clarifications on some of the provisions set forth in the List of Conditions.

The List of Conditions was also acquired by Telefónica Móviles, AMX Argentina S.A. ( Claro ), Nextel S.A., Cablevisión S.A. and Arlink S.A., who also made several inquiries.

Resolution SCN°62/14 issued on September 10, 2014 and published in the Official Bulletin on September 11, 2014, approved Amending Circular No.1 of the List of Conditions (and its Exhibit), pursuant to which the SC responded to inquiries made by the acquirers of the List of Conditions and amended some of the provisions included in it.

In addition, Resolution SC No. 64/14 issued on September 16, 2014 created a Prequalification Commission, consisting of CNC and SC representatives, which was in charge of issuing the prequalification reports regarding the offerors and any challenges that may arise.

**Table of Contents**

**TELECOM ARGENTINA S.A.**

On September 18, 2014, Personal submitted the prequalification and background envelope in order to participate in the Public Auction, and the Prequalification Commission requested and received from the CNDC a report which concludes that the possible assignment of frequencies to the four companies that participated in the Public Auction (Personal, Telefónica Móviles, Arlink and Claro) would not constitute a situation that may adversely affect free competition in the current circumstances of the mobile telecommunications market, and that it does not have questions or exceptions to be made thereon .

On the basis of the above referred CNDC report (which was fully adhered by the Secretary of Commerce, in all its terms) and the Commission of Prequalification report, the SC issued Resolution No. 65/14, notified on October 6, 2014, pursuant to which Personal, Telefónica Móviles, Arlink and Claro were prequalified to participate in the Public Auction.

On October 31, 2014 the Public Auction took place and Personal presented several economic offers, which resulted winners for being the highest ones offered in the Public Auction for the following Lots:

- 1) For the SRM service, in Lot No. 2 (Band: 830,25-834 / 875.25-879);
- 2) For the PCS service, in Lot No. 5 (Band: 1,890-1,892.5 / 1,970-1,972.5) and in Lot No. 6 (Band: 1,862.5-1,867.5 / 1,942.5-1,947.5); and
- 3) For the SCMA service, in Lot No. 8 (Band: 1,730-1,745 / 2,130-2,145 and Band: 713-723 / 768-778).

For the acquisition of these frequency bands, Personal has committed in the Public Auction US\$ 658 million (currency of offer). In accordance to Article 48 of the List of Conditions, within the 20 days following the Public Auction, the SC will issue the act of award of the frequency bands to the winning companies.

**5. Universal Service**

**Telecom Argentina**

On March 19, 2014 the CNC notified Telecom Argentina of an accusation in connection with an alleged breach of Resolution No. 2,516/13 (and its amendment Resolution No. 3,998/13) stating that Telecom Argentina had omitted to submit the SU calculations corresponding to the period January 2001 - June 2007 and ordering Telecom Argentina to submit such calculations and, if applicable, to make the corresponding payments.

As of the date of issuance of these consolidated financial statements, Telecom Argentina has filed its complaint against this imputation disclosing the defense arguments supporting its right and for which corresponds to the CNC rescind the accusation extended to Telecom Argentina in relation to the mentioned regulation.

**Personal**

On April 9, 2014 Personal filed, pursuant to the SC's request, a new adaptation of the Project filed in connection with Resolution No. 9/11. This new filing consists only of additional detailed information about the Project's scope.

**6. Tariffs**

On June 18, 2014, the Company made a filing before the SC requesting the adjustment of the SBT lines' Connection Fee, in order to obtain an urgent restoration of the balance that must reasonably exist in the operative costs incurred for the provision of the public service in charge of the Company, recomposing the Connection Fee in an equitable manner and pursuant to the legal provisions that govern the licenses granted to the Company, since the revenues currently obtained by the Company for the installation of the SBT lines is much lower than the direct costs that the Company incurs to connect new customers. In addition, the Company requested that, until such adjustment takes place, such installations become excluded from the sanctioning regime provided by Decree No. 1,185/90, Decree No. 62/90, and Resolution SC No. 5/13.

On July 23, 2014, the Company made a second filing before the SC pursuant to which it requested, among others: (i) adjustment of the monthly basic charges of all the SBT categories set forth in the Tariffs General Structure; (ii) the determination of a social tariff; (iii) the adjustment of the telephonic pulse value; (iv) the adaptation of the international long distance tariff to the current value of the gold franc; and (v) the tariff deregulation of the commercial service category. In addition, and until such adjustments are made, it was also requested that the SBT become excluded from the sanctioning regime provided by Decree No. 1,185/90, Decree No. 62/90, Resolution SC N°10,059/99 and Resolution SC No. 5/13. It is worth mentioning that such adjustments would have relevant effects on Telecom Argentina's ability to finance the technological updating of its networks and infrastructure, which would in the end result in the provision of better services to the Company's customers.

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**Table of Contents**

**TELECOM ARGENTINA S.A.**

**7. Increase in the Regulator's Penalty Activities**

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

Since fiscal year 2013, the CNC significantly increased its penalty activities, increasing the amount of charges and sanctions, as well as the individual amount of each of the latter. In several cases the sanctions imposed during 2013 had twice the economic value of those imposed to Telecom Argentina in previous periods for the same alleged infringements and such tendency continued during the nine-month period of 2014. As a result of the above, and notwithstanding the defense arguments submitted by Telecom Argentina at the administrative level, sanctions and charges received in 9M14 vs. 9M13 (measured in terms of alleged infringements) increased 175% and 237%, respectively.

In determining the provisions for regulatory charges and sanctions, the Telecom Argentina's Management, with the assistance of its legal counsel, determines the likelihood of such sanctions being imposed, the amount thereof based on historical information and judicial precedents, contemplating various probable scenarios of prescription of charges and sanctions received and the eventual results of legal actions that Telecom Argentina has undertaken to demonstrate, among other things, the disproportionate sanctions imposed by the Regulatory Authority since 2013.

Telecom Argentina has recorded certain provisions that it deems sufficient to cover the above mentioned sanctions and charges, estimating that they should not prosper in amounts individually higher than 200 thousand UT (\$ 9,380 Argentine pesos) per each alleged violation against its clients in the normal course of business, in accordance with the legal and regulatory analysis performed as of September 30, 2014. If Telecom Argentina and its legal advisors' arguments do not prosper, the amount of provisions for regulatory charges and sanctions might be increased in approximately \$168 as of September 30, 2014.

**8. Profit Sharing Bonds**

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

**Legal action's statute of limitations criteria: Supreme Court Verdict - Domínguez c/ Telefónica de Argentina S.A.**

In December 2013, the Argentine Supreme Court ruled on a similar case to the above referred legal actions, Domínguez c/ Telefónica de Argentina S.A., overturning a lower court ruling that had barred the claim as having exceeded the applicable statute of limitations since ten years had passed since the issuance of Decree No. 395/92.



The Argentine Supreme Court ruling states that the Civil and Commercial Proceedings Court must hear the case again to consider statute of limitations arguments raised by the appellants that, in the opinion of the Argentine Supreme Court, were not considered by the lower court and are relevant to the resolution of the case.

After the Argentine Supreme Court's verdict in the case *Domínguez c/ Telefónica de Argentina S.A.* and until the date of issuance of these financial statements, only two chambers of the Civil and Commercial Federal Proceedings Court have issued opinions interpreting the doctrine developed by the Argentine Supreme Court in its verdict. On March 7, 2014, Chamber I, in the case *Cufre, Pedro c/ Telecom*, following the doctrine that derives from the Argentine Supreme Court's verdict, acknowledged that the statute of limitations must be applied periodically as of the time of each balance sheet-. However, it has limited the statute of limitations period to five years, applying statute of limitations rules specifically applicable to periodic obligations.

On April 15, 2014, Chamber III in the case *Luna, Tadeo c/ Telecom* ruled, by a majority of votes, that the statute of limitations must not be applied periodically, but that instead, was exceeded ten years after the issuance of Decree No. 395/92, therefore upholding the interpretation Chamber III had prior to the Argentine Supreme Court's verdict.

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**Table of Contents**

**TELECOM ARGENTINA S.A.**

As of the date of issuance of these consolidated financial statements, the chambers of the Civil and Commercial Proceeding Court do not seem to hold a uniform interpretation of the Argentine Supreme Court's verdict in the case *Dominguez c/ Telefónica*, therefore not allowing to accurately assess the effect that the Argentine Supreme Court's verdict would eventually have over the financial condition and results of operations of Telecom Argentina.

**Criteria for determining the relevant profit for compensation calculation: ruling of the Civil and Commercial Federal Proceedings Court in Plenary Session - Parota c/ Estado Nacional y Telefónica de Argentina S.A.**

On February 27, 2014, the Civil and Commercial Federal Proceedings Court issued a verdict in plenary session in the case *Parota, Cesar c/ Estado Nacional*, as a result of a complaint filed against Telefónica de Argentina S.A. In its verdict the court ruled: *that the determination of the credit corresponding to the former employees of Telefónica de Argentina S.A. as a result of the profit sharing bonuses shall be calculated based on the taxable income of Telefónica de Argentina S.A. on which the income tax liability is to be assessed*.

The Court explained that in order to make such determination: *it is necessary to clarify that taxable income (pre-tax income) means the amount of income subject to the income tax that the company must pay, which generally means gross income, including all revenue obtained during the fiscal year (including contingent or extraordinary revenue), minus all ordinary and extraordinary expenses accrued during such fiscal year*.

As of the date of issuance of these consolidated financial statements, the effect of the above referred ruling on the cases in which Telecom Argentina is a party cannot be determined, since it will depend on the interpretation to be made by each chamber of the Court as to which accounting items must be considered in those cases in which Telecom Argentina is a party.

**9. Sales representative claims**

During 1Q14, two former sales representatives of Personal brought legal actions for alleged untimely termination of their contracts and have submitted claims for payment of different items such as commission differences, value of customers lists and lost profit. Personal believes, based on the assistance of its legal counsel, that certain items included in the claims would not be sustained while other items, if sustained, would result in significantly lower amounts. As of the date of issuance of these consolidated financial statements, the mentioned legal actions are on discovery phase and with expert opinions in preparation. Personal's Management, based on the assistance of legal counsel, has recorded provisions that it estimates are sufficient to cover the risks associated with these claims, and wouldn't have a negative impact on Personal results and financial statements.

**10. Interest Rate at the Labor Courts of the City of Buenos Aires**

On May 21, 2014 the National Labor Court of Appeals agreed, as a result of a divided vote, that the interest rate applicable to the cases under its jurisdiction in the City of Buenos Aires shall be the nominal annual rate applicable to free use of funds personal loans of the National Bank of Argentina for a 49 to 60 month term (currently 3% per month). The Court also resolved that in those cases that the Court sentences are still pending, this new rate shall be applied as from the date on which each amount is due.

As from 2002 the above mentioned Court had resolved to apply the interest rate resulting from the monthly average of the interest rate used by the National Bank of Argentina for the granting of loans (currently 2.055% per month). Therefore, this new agreement represents an increase in the interest rate, which the Company has reflected in its assessment of the provisions for pending labor claims. Although this Court's decision is not compulsory for lower Courts, an additional risk exists since the Courts might intend to apply such rate retroactively to labor credits not yet acknowledged by a Court sentence.

Telecom Group's Management, with the advice of its legal counsels, considers that there are solid legal arguments to argue against the retroactive application of this new rate. As of the date of issuance of these consolidated financial statements, the result deriving from this decision of the Court of Appeals is not clear, until the lower Courts issue future opinions making their positions clear. Nevertheless, should a disadvantageous resolution prevail, we estimate that it shall not have a significant impact on the Group's financial position and results of operations.

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**11. Legal Procedures relating to the Definition of the Scope of Fixed and Mobile Telephone Services under Broadcasting Law No. 22,285, repealed by Law No. 26,522 of Audiovisual Communication Services**

The Group offers in the market a wide range of telecommunications services, including, among others, those referred to as SVA, which provide additional functionality to the basic services of voice transmission through a telecommunications network.

Certain judicial developments took place during the 2Q14 in connection with the VAS, referred to the provision of streaming services, known as video on demand, and also a Supreme Court of Justice opinion relating to the marketing of a service called Superpack.

**Supercanal Case**

Within the context of a claim filed by Supercanal S.A. in 2003, an injunction had been ordered against the fixed and mobile telephone companies, by which the Court ordered them to abstain from *providing supplementary broadcasting services or issuing any kind of broadcasting contents and programming*, as well as *making any advertisement relating to future services to be provided, or the provision of television services as VAS or any other kind of technical method through the fixed or mobile telephone and Internet services that they provide*.

In 2012 a lower Court decided to consider the case abstract and to terminate the injunction. However, on February 18, 2014, the Court of Appeals overruled such decision, and the judge must now make a decision on the appeals filed against the injunction, which were still pending.

On June 16, 2014 Telecom Argentina filed before the Courts a request to terminate the injunction, arguing among other reasons that new Law No. 26,522 of Audiovisual Communication Services has repealed the former law, under which the injunction had been ordered. Subsidiarily, Telecom Argentina has also requested that the injunction be adjusted between the limits of the new law, thus removing from it the VAS, Internet and/or video on demand services.

Products marketed by the Telecom Group that could be affected by this claim are those called Arnet Play and Personal Video, which revenues during the nine-month period ended September 30, 2014, amounted to approximately \$26 and \$138, respectively.

**Claim by the Argentine Association of Cable Television**

Within the context of a claim filed by the Argentine Association of Cable Television in 2006, an injunction had been ordered against the fixed and mobile telephone companies, by which the Court ordered them to abstain from *transmitting, repeating and/or providing directly or indirectly broadcasting services or their supplementary services*, based on the former Broadcasting Law No. 22,285.

Subsequently, such injunction was extended to the marketing of the service called Superpack (joint offer of satellite television services provided by DirecTV and telephone and Internet services provided by Telecom Argentina, where each entity invoiced the services provided by it directly to the final customer), which was suspended by an appeal filed by Telecom Argentina before the Supreme Court of Justice. However, on June 3, 2014, the Supreme Court rejected such appeal because it did not refer yet to a final decision on the substantial issue that must be resolved by such Court. According to this, the Company suspended the marketing of the above referred joint offer with DirecTV from June 4, 2014, as a prudential measure. The suspension of this joint offer only meant to the Group a decrease in commissions revenues for new subscribers that our network marketed in favor of DirecTV, and a decrease in costs from commissions conceded to DirecTV for subscribers that the latter captured for the Telecom Group, which were not relevant during the nine-month period ended September 30, 2014.

On June 10, 2014, the Company claimed to the Courts that the substantial issues under the claim have become abstract and the injunctions have become ineffective as a result of the new Law No. 26,522 of Audiovisual Communication Services which repealed the former law under which the injunction had been ordered.

On October 7, 2014, the Court notified the Company and Personal of a breach complaint related to the above referred injunction. Such notification was answered rejecting its whole content and requesting that the CNC and the SC become part of the process. The Court will have to make a joint decision on these two issues presented by the parties.

Although the Company's Management, with the advice of its legal counsels, believes that there are solid legal arguments to continue providing the VAS discussed in these procedures, as of the date of issuance of these consolidated financial statements, we cannot assure the final result of these claims.

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**12. New Law of Promotion of Registered Labor and Prevention of Labor Fraud**

On June 2, 2014, Law No. 26,940 of Promotion of Registered Labor and Prevention of Labor Fraud was published in the Official Bulletin. This new Law, among other issues, creates a Public Registry of Employers with Labor Penalties (the Registry) and defines a range of labor and social security offenses pursuant to which an employer is to be included in such Registry.

The employers included in the Registry shall be subject to various kinds of penalties, such as: not being allowed to participate in public programs, benefits or subsidies, not having access to public banks credits, not being allowed to enter into agreements or receive authorizations to use state owned assets, or not being authorized by the Government to provide public services nor granted licenses. In addition, those employers who commit the same offence pursuant to which they were included in the Registry within three years of the penalty will not be allowed to deduct their labor costs from the income tax, as long as they remain included in the Registry.

The Law has been regulated by the Executive Branch of the Argentine Government on September 30, 2014. As a result, as of the date of issuance of these consolidated financial statements, the Law is already effective. Exceptions to the penalty regime provided in its regulations are very limited and have no practical effect to restrict its application. Taking into account that the Law has become effective recently and depending on the way in which the authorities Ministry of Labor enforce it, as of this date we cannot estimate the impact of this new labor rules on the financial condition and results of operations of the companies domiciled in Argentina.

**13. New Federal Civil and Commercial Code**

On August 8, 2014, Law No. 26,994 was published in the Official Bulletin, pursuant to which a new Federal Civil and Commercial Code was approved, which will become effective on January 1, 2016.

The Code is a new legal body that codifies Argentine private law and modifies certain specific laws such as the LSC and the Consumers Defense Law.

The Company's Management, with the advice of its legal counsel, is currently analyzing the various topics contained in the Federal Civil and Commercial Code in order to assess the effects that such Code will have on the Group's operations, once it becomes effective.

**14. New Supply Law**

On September 19, 2014, Law No. 26,991 of Regulation of the Production and Consumption Relations was published in the Official Bulletin, which materially modified the provisions of the Supply Law No. 20,680. Law No. 26,991 became effective on October 2, 2014.

The new law provides that if economic agents undertake certain types of conduct (such as artificially increasing prices, accumulating raw material, unjustifiably restricting the sale of goods or services, etc.), the authorities will have wide powers to intervene issuing production and commercialization rules, fixing prices or revenue margins, granting

subsidies, among others. The authorities will also have the power to impose penalties.

As regards penalties, the maximum amount for fines is increased up to \$10, authorizing a further increase of such amount up to three times the earnings obtained while violating the law. In addition, other penalties are included, such as closing down facilities, disqualification for the use or renewal of credits, seizure of merchandise, disqualification to perform acts of commerce, suspension in Government suppliers registries and loss of concessions, privileges and tax or credit special regimes. The new law excludes prison, which was contemplated as a penalty in the prior regime.

The law introduces the *solve et repete* institute as a necessary condition to appeal before the courts any administrative resolutions that impose a fine, condition that may only be exempted if the affected party proves that complying with it causes irreparable damage to the appellant .

In case of a shortage or scarcity of goods or services that satisfy basic or essential needs oriented to the general welfare of the population, the Regulatory Authority will have the power through a justified resolution to instruct their sale, production, distribution or provision, whoever its owner may be, with a warning of imposing penalties in case of not complying.

The law does not apply to micro, small and middle size companies as long as they do not hold a dominant market position pursuant to the parameters and definitions set forth in Law No. 25,156 (the Antitrust Law).

The Company's Management, with the advice of its legal counsel, is currently analyzing the above referred regulation to assess the effects that it may have on the Group's operations.



**Table of Contents**

**TELECOM ARGENTINA S.A.**

**15. New Conflict Resolution Regime for Consumer Relations Matters**

On September 19, 2014, Law No. 26,993 was published in the Official Bulletin, establishing a legal regime applicable to conflict resolution for consumption relations matters. The law became effective on October 2, 2014.

This new law creates new procedures and institutes for consumers to file their complaints, which are described as follows.

First of all, Law No. 26,993 creates the Previous Conciliation Service in Consumption Relations (in Spanish, COPREC ) to intervene in complaints made by consumers or users as a result of consumption relations, and which amounts do not exceed an amount equivalent to 55 (fifty five) Minimum, Vital and Flexible Salaries. Intervention of the COPREC is compulsory and previous to any complaint before the Audit in Consumption Relations (new entity created by the above referred law), or, if applicable, to any claim filed before the Federal Justice in Consumption Relations.

An Audit in Consumption Relations is created within the realm of the Ministry of Economy and Public Finance. Such Audit is defined as an independent authority, considered as an administrative court for all claims within its competence. The Audit will have competence to decide conflicts on damages liability, promoted by consumers or users, up to an amount of 15 (fifteen) Minimum, Vital and Flexible Salaries. As in the case of the COPREC, the above referred law regulates the procedure applicable to all disputes submitted before the Audit. Resolutions issued by the Audit may be challenged through a direct judicial recourse before the Federal Court of Appeals in Consumption Relations or before the applicable Courts of Appeals.

Finally, the law also creates the Federal Justice in Consumption Relations that in the Autonomous City of Buenos Aires will be in charge of the Federal Courts of First Instance in Consumption Relations, and the Federal Court of Appeals in Consumption Relations. In the rest of the country, it will be in charge of the applicable Courts of Appeals. The Federal Justice shall be competent in Consumption Relations cases relating to consumption relations in which the claim's amount, as of the time of filing such claim, does not exceed an amount of 55 (fifty five) Minimum, Vital and Flexible Salaries.

This law also introduces amendments to the Law of Consumer's Defense No. 24,240, to Antitrust Law No. 25,156 and to Law No. 22,802 of Commercial Loyalty. Thus, it provides that any acts imposing penalties for violations of the provisions of the above referred laws may be challenged through a direct judicial recourse before the Federal Court of Appeals in Consumption Relations or before the applicable Courts of Appeals of the Argentine provinces, as applicable. In case the penalties include a fine, the filing of recourse before the courts shall be subject to the previous payment of such fine.

The law also modifies the penalties set forth in Law No. 22,802 and the powers of the Regulatory Authority provided by Law No. 25,156 to be determined by the Executive Branch, and provides that all rules included in the latter that refer to the Antitrust Federal Court must be interpreted as referring to the Regulatory Authority to be appointed.

The Company's Management, with the advice of its legal counsel, is currently analyzing the above referred regulation to assess its scope and the effects that it may have on the Group's operations.

**16. Salary agreements**

In June 2014 Telecom Argentina concluded the salary negotiation process with various telecommunications unions for the period July 2014 – June 2015. Pursuant to the agreement reached, the unionized employees will receive in two installments, July 2014 and January 2015, different fixed amounts per category, representing an average annual raise of 30%. The increase corresponding to the first installment was approximately 18.5% and affected in approximately \$156 Telecom Argentina's operating results for the 3Q14 (amount which includes the social security expenses related to the agreed salary increase). The effect of the salary increase granted in July 2014 in the 4Q14 Company's labor costs is estimated in approximately \$107. According to this, the total effect of the salary agreements in the 2014 Company's results will amount to \$263.

**17. Information on the demerger of Telco S.p.A**

As informed by Telecom Italia S.p.A. hereinafter "TI" in its latest Form 20-F, the Italian company Telco S.p.A is one of its main shareholders, with a participation of the 22.4% of the voting shares of TI company that indirectly controls Telecom Argentina S.A. .

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**Table of Contents**

**TELECOM ARGENTINA S.A.**

On June 26, 2014 Telco S.p.A issued a press release calling a General Extraordinary Shareholders Meeting, to be held on July 9, 2014, in order to consider its own demerger, pursuant to the right of its shareholders, Assicurazioni Generali S.p.A., Mediobanca S.p.A. and Intesa SanPaolo S.p.A., to require such demerger, which closing is subject to obtaining the corresponding authorizations from the applicable authorities.

The relevant portion of the press release issued by Telco S.p.A is follows:

*( ).The Board also acknowledged receipt of the notices received from shareholders Assicurazioni Generali S.p.A. (also in the name and on behalf of the Telco S.p.A shareholders which are also Generali group companies), Mediobanca S.p.A. and Intesa Sanpaolo S.p.A. on June 16, 2014, stating their intention to exercise their right to request the demerger of Telco S.p.A under the terms of the shareholders agreement. The Board also unanimously approved the proposed partial demerger of the company (the Demerger ) as a result of which four newly-incorporated beneficiary companies, 100%-owned by each shareholder, will be allocated the respective shareholder s stake in Telecom Italia currently held by Telco S.p.A (equal to 22.4% of Telecom Italia s ordinary share capital), as follows: 14.77% to the newco owned by Telefónica, 4.32% to the newco owned by the Generali Group, and 1.64% to each of the newcos owned respectively by Intesa Sanpaolo and Mediobanca.*

*As part of the Demerger, Telco will also repay all its bank debt outstanding ( 660 million as of April 30, 2014) and the bond issue subscribed to by its shareholders ( 1,750 million nominal value, plus 70 million in interest accrued to April 30, 2014), plus the interest that will accrue until the repayment date, via funds to derive from a shareholders loan to Telco S.p.A, which will be disbursed pro rata to the shareholders investment in the company immediately prior to the execution of the Demerger. With the Demerger, then, each newco will be allocated the respective share of the shareholders loan as well as the relevant Telecom Italia stake.*

*Completion of the Demerger is subject to the requisite clearances from the following authorities: Conselho Administrativo de Defesa Econômica CADE (Brazilian antitrust authority); Agência Nacional de Telecomunicações ANATEL (Brazilian regulatory authority); Comisión Nacional de Defensa de la Competencia CNDC (Argentinean antitrust authority) and, for those matters which fall within its scope of responsibility, Istituto per la Vigilanza sulle Assicurazioni IVASS (Italian insurance regulatory authority).*

*Telco S.p.A will continue to exist with a minimal share capital and with no Telecom Italia shares held, in order to deal with the remaining assets and liabilities on the balance sheet. The company will then be placed in liquidation once this phase is complete.*

*The Telco S.p.A demerger will also be submitted to the approval of shareholders in the extraordinary general meeting called to take place on July 9th.*

*As of the date on which the Demerger becomes effective, every effect of the shareholders agreement in force between the shareholders of Telco S.p.A shall cease to be effective.*

*Milan, June 26, 2014.*

Following up on the above information, on July 9, 2014 Telco S.p.A. issued a new press release, informing that the General Extraordinary Shareholders Meeting held on such date *approved the proposed partial demerger of Telco S.p.A, as already approved by the Board of Directors and disclosed on June 26, 2014, the completion of which is subject to the requisite clearances from CADE, Anatel, CNDC and, for those matters which fall within its scope of responsibility, Istituto per la Vigilanza sulle Assicurazioni IVASS.*

**18. Financial transactions to mitigate foreign exchange risk**

Considering the fluctuations of the exchange rate between the US Dollar and the Argentine Peso during 9M14 (+29%), and due to the existence of commercial commitments denominated in US Dollars as of September 30, 2014 Personal entered into several NDF agreements during 9M14 to purchase a total amount of US\$ 231 million (of which US\$ 131 million matured between March and June 2014 and the remaining US\$ 100 million will mature between November 2014 and March 2015). The purpose of these NDF is to eliminate the risks associated to the fluctuation of the future exchange rate and to align the payment currency of Personal's commercial commitments (item covered) to its functional currency.

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

Personal Management has classified those agreements as effective cash flow hedges and has assessed the documentation requirements, the qualitative and quantitative effectiveness assessment and the possibility to designate partial hedges, as permitted by IFRS 9. As the effect of the fluctuation of the exchange rate over the hedged items is recognized in the Income Statement, changes in the fair value of NDF (net loss of approximately \$20) have also been recognized in the Income Statements, within Finance income and expenses - NDF. Personal recognizes the hedging instruments results, distinguishing between gains and losses of such agreements that generate assets and liabilities, as appropriate, without offsetting balances with different counterparties. As of September 30, 2014, Personal has a balance of \$14 included in current Accounts Payables related to the US\$ 100 million NDF remaining to such date.

In addition, during 2014, Personal entered into NDF for US\$ 8 million maturing in October and November 2014 to hedge commercial debts for PP&E acquisition, which were qualified as effective cash flow hedges for accounting purposes. During 9M14, changes in the market value of these NDF resulted in a \$2 liability recorded in Current Accounts Payable with counterpart in Other Comprehensive Income, which were reclassified to PP&E in the period in which such assets were incorporated.

Also, in order to mitigate the currency risk Personal acquired in 9M14 Government bonds denominated in U.S. dollars (Boden 15 and Bonar 2017), at a cost of \$914, with an annual interest rate of 7%, also in U.S. dollars. Foreign exchange differences generated by the purchase of these government bonds were recognized in Foreign currency exchange losses .

**19. Sale of the equity interest in Springville**

On February 10, 2014 Personal's Board of Directors decided to approve the sale of such equity interest (representative of 100% of Springville capital stock) for a total amount of US\$ 27,223.

According to the terms and conditions of the offer accepted by Personal, on February 19, 2014 the transfer of the shares was concluded and Personal collected the mentioned amount, equivalent to \$0.2, generating a gain of \$0.4 for the reversal of the amount included in Currency translation adjustments .

**Accounting treatment**

In accordance with IFRS 5, investment in Springville was classified as *Asset available for sale* as of December 31, 2013. This asset was valued at the lower amount between the booked value and the fair value less costs of sale. The results were presented as results in discontinuation as of September 30, 2013. Assets, liabilities, operating expenses and cash flows considered by Personal accounts related to Springville, are not material, and in any case reach the minimum magnitude to be segregated in the statement of financial position, income statement, statement of comprehensive income or statement of cash flow of Personal. Below are detailed information on the assets, liabilities, net results and cash flows in discontinuation - net of eliminations- related to Springville that were consolidated as of December 31, 2013 and September 30, 2013:

**Assets and liabilities - discontinued operations**

The Statement of Financial Position as of December 31, 2013 includes the following Springville's assets and liabilities consolidated to such date:

|  | <b>As of December 31,<br/>2013<br/>(in thousands of<br/>pesos )</b> |
|--|---|
| <b>ASSETS</b>  |   |
| <b>Current Assets</b>                                |   |
| Cash and cash equivalents                            | 3   |
| Other receivables, net                               | 433   |
| <b>Total current assets</b>                          | <b>436</b>  |
| Impairment of assets available for sale              | (250)   |
| <b>TOTAL ASSETS DISCONTINUED<br/>OPERATIONS</b>      | <b>186</b>  |
| <b>LIABILITIES</b>                                   |   |
| <b>Current Liabilities</b>                           |   |
| Trade payables                                       | 143   |
| Other liabilities                                    | 57  |
| <b>Total current liabilities</b>                     | <b>200</b>  |
| <b>TOTAL LIABILITIES DISCONTINUED<br/>OPERATIONS</b> | <b>200</b>  |

Table of Contents**TELECOM ARGENTINA S.A.****Net results - discontinued operations**

The Income Statement and the Statement of Comprehensive Income for the nine-month period ended September 30, 2013 include the following Springville results consolidated to such date:

**Income statements**

|  | <b>Nine-month<br/>period ended<br/>September 30,<br/>2013<br/>(in thousands of<br/>pesos)</b> |
|--|---|
| Fees for services  | (33)  |
| Rental and maintenance expenses                                  | (217)   |
| Taxes  | (2)   |
| Energy, water and others   | (25)  |
| <b>Operating losses</b>  | <b>(277)</b>  |
| Finance income    Exchange differences                           | 50  |
| Finance expenses    Exchange differences                         | (5)   |
| <b>Losses before income tax expense</b>                          | <b>(232)</b>  |
| Income tax expense   | (2)   |
| <b>Net losses    discontinued operations</b>                     | <b>(234)</b>  |
| Currency translation adjustments (non-taxable)                   | 25  |
| <b>Total comprehensive income    discontinued<br/>operations</b> | <b>(209)</b>  |

**Cash Flows - discontinued operations**

The Statement of Cash Flows for the nine-month period ended September 30, 2013 includes the following Springville s cash flows consolidated to such date:

**Nine-month  
period ended  
September 30,  
2013  
(in thousands of  
pesos )**

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

**Total cash flows used in operating activities** (76)

**NET FOREIGN EXCHANGE DIFFERENCES  
AND CURRENCY TRANSLATION ON CASH  
AND CASH EQUIVALENTS**

3

**DECREASE IN CASH AND CASH  
EQUIVALENTS**

(73)

**CASH AND CASH EQUIVALENTS AT THE  
BEGINNING OF THE YEAR**

77

**CASH AND CASH EQUIVALENTS AT THE  
END OF THE PERIOD**

4



**20. Conversion of Class C shares**

Pursuant to the authorization approved by the General Ordinary and Extraordinary and Special Class C Shares Meetings of Telecom Argentina held on December 15, 2011 and following the request of individual holders, on June 12, 2014, 656 Class C shares were converted, in an eight tranche, into an equal number of Class B shares. As of the date of issuance of these financial statements, conversion is pending for 266,782 Class C shares.

**21. Organization of a New Company for the Provision of Mobile Financial Services**

Núcleo s Board of Directors, at its meeting held on May 5, 2014, approved the organization of a new company for the provision of Mobile Financial Services in Paraguay. This company will be supervised by the Central Bank of the Republic of Paraguay. The bylaw of the new company, named Personal Envíos S.A. , was granted on July 24, 2014. As of the date of issuance of these consolidated financial statements, the registration of the new company in the corresponding Public Registers is still pending. The capital stock of this new company is 3,000 million of Guaraníes (equivalent to approximately \$5.5), distributed as follows: Núcleo 97%, whose contribution will be in kind (transaction system), Personal 2% and ABC Telecomunicaciones 1%.

As of the date of issuance of these consolidated financial statements, there have been no capital contributions. Núcleo s Management expects to complete the transactions registration in the fourth quarter of this year, during which the new company would start operating.

**NOTE 11 SUBSEQUENT EVENTS TO SEPTEMBER 30, 2014**

**Regulation of Virtual Mobile Operators**

Resolution SC No. 68/14, published in the Official Bulletin on October 28, 2014, approved the Regulation of Virtual Mobile Operators (in Spanish, OMV ) and the Basic Requirements for OMV Agreements. Among its provisions, the Resolution provides that the Network Mobile Operators (in Spanish OMR ) that have spectrum and infrastructure, shall annually file a reference offer for those interested in providing services as OMV, in which they will set forth the technical and economic conditions, which must be reasonable and non-discriminatory. The Resolution also provides the modalities and procedures for the provision of such services.

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**Argentina Digital Bill**

On October 29, 2014, the Argentine Government publicly announced the introduction of a bill in Congress which aims to declare of public interest the development and regulation of Information and Communications Technologies (in Spanish, TIC ) and its related resources, establishing and guaranteeing the complete neutrality of the networks. If the rules contained in this bill become law, they will replace the current Telecommunications Law No. 19,798 (passed in 1972), and will repeal Decree No. 764/00.

Taking into account its recent introduction in Congress, the Company's Management will monitor its evolution and will analyze the impact that such law may have on the Telecom Group's operations.

**Capital Stock Increase (up to five times) of Personal**

The Company's Board of Directors, at its meeting held on November 3, 2014, has instructed its appointed representatives to make a motion to approve, and vote in favor of, among other issues, the increase of Personal's capital stock in an amount of \$1,242 (from the current \$311 to \$1,553) at the General Ordinary Shareholders' Meeting to be held on November 17, 2014. The objective of this capital stock increase is to contribute with the financing of the payment of the undertakings assumed by Personal in the Public Auction of the 3G and 4G Frequency Bands as detailed in Note 10.4 to these consolidated financial statements.

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

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

**Table of Contents**

Free translation from the original in Spanish for publication in Argentina

**LIMITED REVIEW REPORT ON 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 September 30, 2014, the consolidated statements of income and of comprehensive income for the three and nine-month periods ended September 30,2014, the consolidated statements of changes in equity and of cash flows for the nine-month period ended September 30, 2014 and selected explanatory notes.

The balances and other information for the fiscal year 2013 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, 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, as approved by the International Accounting Standards Board (IASB), 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). Our responsibility is to express a conclusion based on the review we have performed with the scope detailed in section Scope of our review .

**Scope of our review**

Our review was limited to the application of the procedures established under International Standards on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity , adopted as a review standard in Argentina by Technical Pronouncement No. 33 of the FACPCE and approved by the International Auditing and Assurance Standards Board (IAASB). 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 will get to know 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.

### **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;

**Table of Contents**

- 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 September 30, 2014, the debt of Telecom accrued in favor of the Argentine Integrated Social Security System, as shown by the Company's accounting records, amounted to \$84,040,092.38 and was not due at that date.

City of Buenos Aires, November 3, 2014

PRICE WATERHOUSE & CO. S.R.L.

Dr. Carlos A. Pace (Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos A. Pace

Public Accountant (UBA)

C.P.C.E.C.A.B.A. T° 150 F° 106

**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   |                                       |
| 3Q13    | 37.00                       | 22.80 | 14.9                                  |
| 4Q13    | 39.50                       | 28.50 | 10.3                                  |
| 1Q14    | 38.40                       | 28.00 | 4.7                                   |
| 2Q14    | 49.00                       | 34.50 | 5.4                                   |
| 3Q14    | 62.10                       | 42.00 | 5.6                                   |

**NYSE\***

| Quarter | Market quotation (US\$/ADR*) |       | Volume of ADRs traded (in millions) |
|---------|------------------------------|-------|-------------------------------------|
|         | High                         | Low   |                                     |
| 3Q13    | 20.11                        | 13.93 | 15.1                                |
| 4Q13    | 21.19                        | 17.10 | 11.9                                |
| 1Q14    | 19.07                        | 14.78 | 12.2                                |
| 2Q14    | 23.86                        | 17.77 | 12.4                                |
| 3Q14    | 25.09                        | 18.65 | 11.6                                |

\* Calculated at 1 ADR = 5 shares

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

Telecom Argentina S.A.

Investor Relations Division

Alicia Moreau de Justo 50, 10<sup>th</sup> Floor

(1107) Autonomous City of Buenos Aires

Tel.: 54-11-4968-3628

Argentina

**Outside Argentina**

JP Morgan Chase

Latam ADR Sales & Relationship Mgmt.

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 ADRs**

J.P. Morgan Depositary Receipts

4 New York Plaza, Floor 12

New York, NY 10004

(866) JPM-ADRS

[adr@jpmorgan.com](mailto:adr@jpmorgan.com) [www.adr.com](http://www.adr.com)

Table of Contents

SIGNATURES

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

**Telecom Argentina S.A.**

Date: December 15, 2014

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