

TELECOM ARGENTINA SA  
Form 6-K  
December 01, 2017  
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**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 2017

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**

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(Address of principal executive offices)

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

Form 20-F                          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

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2017**

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(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, 2017 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, 2017 ( 9M17 ) and 2016 ( 9M16 )**

Total revenues and other income for 9M17 amounted to \$47,324 (+21.8% vs. 9M16), operating costs including depreciations, amortizations and disposal and impairment of PP&E amounted to \$38,306 (+14.9% vs. 9M16), operating income before depreciation and amortization amounted to \$14,246 (+39.5% vs. 9M16) representing 30.1% of consolidated revenues, operating income amounted to \$9,018 (+63.3% vs. 9M16) and net income amounted to \$5,695 (+128.3% vs. 9M16). Net income attributable to Telecom Argentina amounted to \$5,641 in 9M17 (+128.3% vs. 9M16).

	<b>9M17</b>	<b>9M16</b>	<b>Variation</b>	
			<b>\$</b>	<b>%</b>
Revenues	47,263	38,818	8,445	21.8
Other income	61	36	25	69.4
Operating costs without depreciation and amortization	(33,078)	(28,644)	(4,434)	15.5
<b>Operating income before depreciation and amortization</b>	<b>14,246</b>	<b>10,210</b>	<b>4,036</b>	<b>39.5</b>
Depreciation and amortization	(5,133)	(4,485)	(648)	14.4
Disposal and impairment of PP&E	(95)	(202)	107	(53.0)
<b>Operating income</b>	<b>9,018</b>	<b>5,523</b>	<b>3,495</b>	<b>63.3</b>
Financial results, net	(276)	(1,682)	1,406	(83.6)
<b>Income before income tax expense</b>	<b>8,742</b>	<b>3,841</b>	<b>4,901</b>	<b>127.6</b>
Income tax expense	(3,047)	(1,346)	(1,701)	126.4
<b>Net income</b>	<b>5,695</b>	<b>2,495</b>	<b>3,200</b>	<b>128.3</b>

**Attributable to:**

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Telecom Argentina (Controlling Company)	5,641	2,471	3,170	128.3
Non-controlling interest	54	24	30	125.0
	<b>5,695</b>	<b>2,495</b>	<b>3,200</b>	<b>128.3</b>
<b>Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)</b>	<b>5.82</b>	<b>2.55</b>		

• Revenues

During 9M17 consolidated total revenues increased 21.8% (+\$8,445 vs. 9M16) amounting to \$47,263 mainly fueled by the outbound mobile services provided by Personal and Voice and Internet fixed services.

<u>Services</u>	9M17	9M16	Variation \$	%
Voice	6,119	4,328	1,791	41.4
Internet	5,621	4,351	1,270	29.2
Data	2,595	2,133	462	21.7
<b>Subtotal Fixed Services</b>	<b>14,335</b>	<b>10,812</b>	<b>3,523</b>	<b>32.6</b>
Outbound	22,118	18,043	4,075	22.6
Inbound	1,949	1,168	781	66.9
Other	1,197	1,086	111	10.2
<b>Subtotal Personal Mobile Services</b>	<b>25,264</b>	<b>20,297</b>	<b>4,967</b>	<b>24.5</b>
Outbound	1,789	1,426	363	25.5
Inbound	101	95	6	6.3
Other	157	244	(87)	(35.7)
<b>Subtotal Núcleo Mobile Services</b>	<b>2,047</b>	<b>1,765</b>	<b>282</b>	<b>16.0</b>
<b>Total service revenues</b>	<b>41,646</b>	<b>32,874</b>	<b>8,772</b>	<b>26.7</b>
<u>Equipment</u>				
Fixed Services	294	78	216	276.9
Personal Mobile Services	5,250	5,649	(399)	(7.1)
Núcleo Mobile Services	73	217	(144)	(66.4)
<b>Total equipment revenues</b>	<b>5,617</b>	<b>5,944</b>	<b>(327)</b>	<b>(5.5)</b>
<b>Total revenues</b>	<b>47,263</b>	<b>38,818</b>	<b>8,445</b>	<b>21.8</b>

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Services revenues amounted to \$41,646 (+26.7% vs. 9M16) and represented 88.1% of consolidated revenues (vs. 84.7% in 9M16). Equipment revenues decreased 5.5%, amounting to \$5,617 and represented 11.9% of consolidated revenues (vs. 15.3% in 9M16).

**Fixed Services**

During 9M17, services revenues generated by this segment amounted to \$14,335 (+\$3,523 or +32.6% vs. 9M16), where Voice revenues have grown the most (+\$1,791 or +41.4% vs. 9M16), followed by Internet services (+\$1,270 or +29.2% vs. 9M16).

Voice revenues (including the net revenues generated by the subsidiary Telecom USA amounting to \$212) reached \$6,119 in 9M17 (+41.4% vs. 9M16). The increase was mainly due to the increase in plans prices.

Internet service revenues amounted to \$5,621 in 9M17 (+29.2% vs. 9M16) as a result of the increase in the average plans prices. As a consequence, the Internet average monthly revenue per user ( ARPU ) amounted to \$350.1 pesos per month in 9M17 vs. \$260.4 pesos per month in 9M16 (+34.4%). As of September 30, 2017, the number of ADSL subscribers amounted to approximately 1,746,000. The churn rate per month amounted to 1.4% in 9M17 (vs. 1.5% in 9M16).

Data revenues (including the revenues generated by the subsidiary Telecom USA of \$12) amounted to \$2,595 (+\$462 vs. 9M16). These revenues were generated focusing on the Company's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to the variation of the \$/US\$ exchange rate related to agreements settled in such foreign currency and to the increase in the number of *Innovation* services customers.

**Personal Mobile Services**

During 9M17, total services revenues amounted to \$25,264 (+\$4,967 or 24.5% vs. 9M16), being the principal business segment in revenues terms (60.7% and 61.7% of services consolidated revenues in 9M17 and 9M16, respectively). Personal reached 19.0 million subscribers in Argentina (-4.4% vs. 9M16). Approximately 66% of the subscriber base is prepaid subscribers and 34% is postpaid subscribers (including Abono fijo and Mobile Internet subscribers dongles).

The main ratios were:

- The churn rate per month amounted to 2.9% in 9M17 (vs. 2.7% in 9M16).
- ARPU amounted to \$139.0 pesos per month in 9M17 (vs. \$108.3 pesos per month in 9M16), representing a 28.3% increase.
- Other income generated by mobile Internet services amounted to \$12,353 (+\$4,856 or +64.8% vs. 9M16), fueled by new offers aimed at content consumption, the migration of subscribers to higher value service plans and the increase in subscribers holding 3G and 4G handsets, which enhance Internet usage.

Outbound mobile services revenues amounted to \$22,118 in 9M17 (+\$4,075 or +22.6% vs. 9M16). The increase was mainly due to higher monthly charges prices in the postpaid and Abono fijo subscriber base and to the increase of the online recharges in the prepaid subscriber base.

Inbound mobile services revenues (including CPP and TLRD) amounted to \$1,949 (+\$781 or +66.9% vs. 9M16). This increase is mainly related to the higher price per minute of CPP services, representing an increase in CPP services revenues, which were partially offset by a decrease in traffic volumes. In addition, TLRD average price per minute and interconnection traffic volumes increased.

Other mobile services revenues amounted to \$1,197 (+\$111 or 10.2% vs. 9M16) mainly due to the increase in reconnection charges, which were partially offset by a decrease in international roaming traffic.

### **Núcleo Mobile Services**

This segment generated services revenues equivalent to \$2,047 during 9M17 (+\$282 or 16.0% vs. 9M16) mainly due to the Internet revenues increase related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of September 30, 2017, Núcleo's subscriber base reached 2.5 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 83% and 17% in 9M17, respectively.

Internet revenues amounted to \$931 (+32.1% vs. 9M16) and represented 45.5% of Núcleo Mobile Services segment services revenues (vs. 39.9% in 9M16).

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**OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017**

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

Revenues from equipment amounted to \$5,617, -\$327 or -5.5% vs. 9M16. This decrease is mainly related to the Personal Mobile Services with a decrease of \$399 vs. 9M16 due to lower handsets sold (-15% vs. 9M16) partially offset by higher handset s sale prices (+9% vs. 9M16).

- **Operating costs**

Consolidated operating costs including depreciations, amortizations and disposal and impairment of PP&E totaled \$38,306 in 9M17, which represents an increase of \$4,975 or +14.9% vs. 9M16. The increase in costs is mainly a consequence of higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure of the Telecom Group in Argentina, the increase in fees for services related to higher supplier prices, the increase in taxes, higher provisions, the increase in bad debt expenses and higher depreciations and amortizations, partially offset by the decrease in the cost of equipment and handsets, the decrease of VAS costs and the decrease in agent commissions.

			Variation		Variation in \$ by segment			Núcleo
	9M17	9M16	\$	%	Fixed Serv.	Personal M. Serv.	M. Serv.	
Employee benefit expenses and severance payments	(9,158)	(7,213)	(1,945)	27.0	(1,534)	(400)	(11)	
Interconnection costs and other telecommunication charges	(2,295)	(1,954)	(341)	17.5	(40)	(311)	10	
Fees for services, maintenance, materials and supplies	(4,756)	(3,580)	(1,176)	32.8	(843)	(288)	(45)	
Taxes and fees with the Regulatory Authority	(4,416)	(3,799)	(617)	16.2	(252)	(342)	(23)	
Commissions	(3,416)	(3,841)	425	(11.1)	(18)	470	(27)	
Agent commissions capitalized as SAC	731	1,046	(315)	(30.1)	(44)	(269)	(2)	
Cost of equipment and handsets	(4,696)	(4,725)	29	(0.6)	(107)	(54)	190	
Cost of equipment and handsets capitalized as SAC	58	94	(36)	(38.3)	-	(13)	(23)	
Advertising	(769)	(548)	(221)	40.3	(77)	(146)	2	
Cost of VAS	(690)	(1,142)	452	(39.6)	(12)	512	(48)	
Provisions	(357)	(106)	(251)	236.8	(48)	(202)	(1)	
Bad debt expenses	(920)	(844)	(76)	9.0	(53)	(42)	19	
Other operating expenses	(2,394)	(2,032)	(362)	17.8	(168)	(173)	(21)	
<b>Subtotal</b>	<b>(33,078)</b>	<b>(28,644)</b>	<b>(4,434)</b>	<b>15.5</b>	<b>(3,196)</b>	<b>(1,258)</b>	<b>20</b>	
Depreciation of PP&E	(3,702)	(3,087)	(615)	19.9	(286)	(273)	(56)	
Amortization of SAC and service connection charges	(1,160)	(1,087)	(73)	6.7	31	(122)	18	
Amortization of other intangible assets	(271)	(311)	40	(12.9)	-	45	(5)	

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Disposal and impairment of PP&E	(95)	(202)	107	(53.0)	(32)	140	(1)
<b>Total operating costs</b>	<b>(38,306)</b>	<b>(33,331)</b>	<b>(4,975)</b>	<b>14.9</b>	<b>(3,483)</b>	<b>(1,468)</b>	<b>(24)</b>

The costs breakdown is as follows:

**Employee benefit expenses and severance payments**

Employee benefit expenses and severance payments amounted to \$9,158 (+\$1,945 or +27.0% vs. 9M16). The increase was mainly due to increases in salaries agreed by Telecom Argentina with several trade unions for the unionized employees and also to non-unionized employees, together with related social security charges. With a total headcount of 15,510 by the end of 9M17 (vs. 16,241 employees in 9M16), lines in service per employee reached 357 in the Fixed Services segment (similar to the amount of 9M16), subscribers per employee reached 4,352 in the Personal Mobile Services segment (+4.3% vs. 9M16) and subscribers per employee reached 6,388 (+2.4% vs. 9M16) 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 \$2,295 (+\$341 or +17.5% vs. 9M16). The increase was mainly due to higher TLRD partially offset by a decrease in roaming costs.

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

Fees for services, maintenance, materials and supplies amounted to \$4,756, +\$1,176 or +32.8% vs. 9M16. The increase was mainly due to higher maintenance costs of radio bases in the mobile services segments, as a result of the variation in the \$/US\$ exchange rate, an increase in technical assistance cost of radio bases, higher system licenses costs, higher costs of sites location and higher storage costs. There were also increases in other maintenance costs and fees for services, mainly due to higher costs recognized to suppliers in all segments.

**Taxes and fees with the Regulatory Authority**

Taxes and fees with the Regulatory Authority (including turnover tax, fees with the Regulatory Authority, IDC, municipal and other taxes) amounted to \$4,416 (+16.2% vs. 9M16), influenced mainly by the



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increase in revenues of fixed and mobile services and by the increase of the IDC related to higher collections and payments to suppliers, partially offset by lower fees with the regulatory authority.

**Commissions**

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$3,416 (-\$425 or -11.1% vs. 9M16). The decrease was mainly due to the decrease in Agents' commissions as well as a decrease in collection commissions, CPP commissions and others.

On the other hand, agent commissions capitalized as SAC amounted to \$731, -\$315 or -30.1% vs. 9M16.

**Cost of equipment and handsets**

Cost of equipment and handsets amounted to \$4,696 (-\$29 or -0.6% vs. 9M16) mainly due to the decrease in the units of handsets sold in the Núcleo Mobile Services segment, partially offset by the increase in the Personal Mobile Services segment, as a consequence of the increase in the average unit cost of sales (+21% vs. 9M16) partially offset by a decrease in handsets sold (-15% vs. 9M16).

On the other hand, SAC deferred costs from handsets sold amounted to \$58, -\$36 or -38.3% vs. 9M16.

**Advertising**

Advertising amounted to \$769 (+\$221 vs. 9M16). This increase was due to the new advertising campaigns launched by Telecom Group during 2017, especially media advertising.

**Cost of VAS**

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Cost of VAS amounted to \$690 (-\$452 or -39.6% vs. 9M16). The decrease was mainly due to the decrease in the amount of VAS sales in the Personal Mobile Services segment, as a consequence of the content suppliers deputation carried out within the content business general reorganization realized by Personal in 2016.

### **Provisions**

Provisions amounted to \$357, +\$251 vs. 9M16, mainly due to higher labor claims (+\$140 vs. 9M16) and higher civil and commercial claims (+\$107 vs. 9M16).

### **Bad debt expenses**

Bad debt expenses amounted to \$920 (+\$76 or +9.0% vs. 9M16), representing approximately 1.9% and 2.2% of the consolidated revenues in 9M17 and 9M16, respectively. The main increase is observed in the Fixed Services segment amounting to \$53 as a consequence of higher aging of the accounts receivables provisioned in accordance to the accounting policies of the Group.

### **Other operating costs**

Other operating costs amounted to \$2,394 (+\$362 or +17.8% vs. 9M16). The increase was mainly due to higher prices on related services recognized to suppliers in the operations in Argentina and the increase of rent prices (+\$207 or +37.0% vs. 9M16), 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 \$14,246 (+\$4,036 or +39.5% vs. 9M16), representing 30.1% of consolidated revenues in 9M17 (vs. 26.3% in 9M16). This growth was mainly fueled by the Fixed Services segment (+\$824 or +37.4% vs. 9M16) and the Mobile Services segments (+\$3,212 or +40.1% vs. 9M16).

Operating income before depreciation and amortization generated by equipment and handset sales (including SAC capitalization) amounted to \$979 in 9M17 vs. \$1,313 in 9M16 (-\$334 or -25.4% vs. 9M16), while operating income before depreciation and amortization generated by services sales amounted to \$13,267 in 9M17 vs. \$8,897 in 9M16 (+\$4,370 or +49.1% vs. 9M16).

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**Depreciation and amortization**

Depreciation and amortization amounted to \$5,133 (+\$648 or +14.4% vs. 9M16). The increase in depreciation and amortization includes \$615 from PP&E depreciation and \$73 from amortization of SAC and service connection costs, partially offset by a decrease of \$40 from amortization of other intangible assets without SAC. The increase in depreciation and amortization corresponds 39% to the Fixed Services segment and 61% to the Mobile Services segments.

**Disposal and impairment of PP&E**

Disposal and impairment of PP&E amounted to \$95 in 9M17 (-\$107 vs. 9M16), of which \$29 are generated by the Fixed Services segment and \$66 generated by the Mobile Services segments.

- **Operating income**

Operating income amounted to \$9,018 in 9M17 (+\$3,495 or 63.3% vs. 9M16). The margin over consolidated revenues represented 19.1% in 9M17 (vs. 14.2% in 9M16). This growth was mainly fueled by the Personal Mobile Services segment (+\$2,844 or +62.0% vs. 9M16) and the Fixed Services segment (+\$537 or +64.8% vs. 9M16).

- **Financial results, net**

Net financial results resulted in a net loss of \$276, representing a lower loss of \$1,406 vs. 9M16. The lower loss was mainly due to lower foreign currency exchange losses (+\$193 vs. 9M16), higher interests on receivables (+\$294 vs. 9M16), higher investments results (+\$454 vs. 9M16) and lower interests on loans (+\$541 vs. 9M16).

- **Net income**

Telecom Argentina reached a net income of \$5,695 in 9M17, +\$3,200 or +128.3% as compared to 9M16, representing 12.0% of the consolidated revenues in 9M17 (vs. 6.4% in 9M16). Net income attributable to Telecom Argentina amounted to \$5,641 in 9M17, +\$3,170 or +128.3% as compared to 9M16.

- **Net financial position**

As of September 30, 2017, consolidated net financial asset (Cash and Cash Equivalents plus financial investments plus financial NDF minus financial debt) amounted to \$503, showing an increase of \$7,660 as compared to the consolidated net financial debt as of September 30, 2016 (amounting to \$7,157). This variation was mainly due to an increase in the generation of cash from operating activities of the Telecom Group. As of September 30, 2017, the Fixed Services segment has a net financial asset of \$66, the Personal Mobile Services segment has a net financial asset of \$661 and the Núcleo Mobile Services segment has a net financial debt of \$224.

- **Capital expenditures (CAPEX)**

CAPEX composition for 9M17 and 9M16 is as follows:

	In millions of \$		% of participation		Variation	
	9M17	9M16	9M17	9M16	\$	%
Fixed Services	3,206	2,660	48%	35%	546	21
Personal Mobile Services	3,145	4,564	47%	59%	(1,419)	(31)
Núcleo Mobile Services	287	475	5%	6%	(188)	(40)
<b>Total CAPEX</b>	<b>6,638</b>	<b>7,699</b>	<b>100%</b>	<b>100%</b>	<b>(1,061)</b>	<b>(14)</b>

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*OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017*

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PP&E CAPEX amounted to \$5,745 and intangible assets CAPEX amounted to \$893 in 9M17, while in 9M16 amounted to \$6,403 and \$1,296, respectively.

In relative terms, CAPEX represented 14.0% of consolidated revenues in 9M17 (19.8% in 9M16), and were intended mainly for the external wiring and network access, transmission and switching equipment, computer equipment and SAC.

PP&E and intangible assets additions (CAPEX plus materials additions) for 9M17 and 9M16 are as follows:

	In millions of \$		% of participation		Variation	
	9M17	9M16	9M17	9M16	\$	%
Fixed Services	4,721	3,269	58%	38%	1,452	44
Personal Mobile Services	3,155	4,845	39%	56%	(1,690)	(35)
Núcleo Mobile Services	293	478	3%	6%	(185)	(39)
<b>Total additions</b>	<b>8,169</b>	<b>8,592</b>	<b>100%</b>	<b>100%</b>	<b>(423)</b>	<b>(5)</b>

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

### **3. Telecom Group s activities for the three-month periods ended September 30, 2017 ( 3Q17 ) and 2016 ( 3Q16 )**

Telecom Group s net income amounted to \$2,056 in 3Q17, +\$1,298 or +171.2% vs. 3Q16. Net income attributable to Telecom Argentina amounted to \$2,026 in 3Q17 (+\$1,280 or +171.6% vs. 3Q16).

Total revenues and other income increased 24.8% vs. 3Q16 and operating income before depreciation and amortization amounted to \$4,902 (+\$1,456 or +42.3% vs. 3Q16), representing 29.3% of the consolidated revenues (vs. 25.7% in 3Q16). Operating income amounted to \$3,167 (+\$1,365 or +75.7% vs. 3Q16). Financial results, net amounted to a loss of \$16 (-\$620 vs. 3Q16), while income tax expenses amounted to \$1,095 (+687 or +168.4% vs. 3Q16).

	3Q17	3Q16	\$	Variation	%
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Revenues	16,719	13,412	3,307	24.7
Other income	22	7	15	214.3
Operating costs without depreciation and amortization	(11,839)	(9,973)	(1,866)	18.7
<b>Operating income before depreciation and amortization</b>	<b>4,902</b>	<b>3,446</b>	<b>1,456</b>	<b>42.3</b>
Depreciation and amortization	(1,741)	(1,591)	(150)	9.4
Disposal and impairment of PP&E	6	(53)	59	(111.3)
<b>Operating income</b>	<b>3,167</b>	<b>1,802</b>	<b>1,365</b>	<b>75.7</b>
Financial results, net	(16)	(636)	620	n/a
<b>Income before income tax expense</b>	<b>3,151</b>	<b>1,166</b>	<b>1,985</b>	<b>170.2</b>
Income tax expense	(1,095)	(408)	(687)	168.4
<b>Net income</b>	<b>2,056</b>	<b>758</b>	<b>1,298</b>	<b>171.2</b>
<b>Attributable to:</b>				
Telecom Argentina (Controlling Company)	2,026	746	1,280	171.6
Non-controlling interest	30	12	18	150.0
	<b>2,056</b>	<b>758</b>	<b>1,298</b>	<b>171.2</b>
<b>Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)</b>	<b>2.09</b>	<b>0.77</b>		

**OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017**

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

During 3Q17 consolidated revenues increased 24.7% (+\$3,307 vs. 3Q16) amounting to \$16,719, mainly fueled by Personal Mobile Outbound Services and the Fixed Services segment.

<b>Services</b>	<b>3Q17</b>	<b>3Q16</b>	<b>Variation</b>	
			<b>\$</b>	<b>%</b>
Voice	2,143	1,577	566	35.9
Internet	1,952	1,513	439	29.0
Data	909	731	178	24.4
<b>Subtotal Fixed Services</b>	<b>5,004</b>	<b>3,821</b>	<b>1,183</b>	<b>31.0</b>
Outbound	7,718	6,255	1,463	23.4
Inbound	626	443	183	41.3
Other	428	441	(13)	(2.9)
<b>Subtotal Personal Mobile Services</b>	<b>8,772</b>	<b>7,139</b>	<b>1,633</b>	<b>22.9</b>
Outbound	689	510	179	35.1
Inbound	37	33	4	12.1
Other	54	94	(40)	(42.6)
<b>Subtotal Núcleo Mobile Services</b>	<b>780</b>	<b>637</b>	<b>143</b>	<b>22.4</b>
<b>Total service revenues</b>	<b>14,556</b>	<b>11,597</b>	<b>2,959</b>	<b>25.5</b>
<b>Equipment</b>				
Fixed Services	269	13	256	n/a
Personal Mobile Services	1,871	1,711	160	9.4
Núcleo Mobile Services	23	91	(68)	(74.7)
<b>Total equipment revenues</b>	<b>2,163</b>	<b>1,815</b>	<b>348</b>	<b>19.2</b>
<b>Total revenues</b>	<b>16,719</b>	<b>13,412</b>	<b>3,307</b>	<b>24.7</b>

Consolidated operating costs including depreciation, amortization and disposal and impairment of PP&E amounted to \$13,574 in 3Q17, which represented an increase of \$1,957 or +16.8% vs. 3Q16. 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 in Argentina, the increase in fees for services related to higher supplier prices, an increase in taxes, higher cost of equipment and handsets, the increase in advertising and higher depreciations and amortizations, partially offset by lower bad debt expenses, cost of VAS and commissions charges.

	<b>3Q17</b>	<b>3Q16</b>	<b>Variation</b>	
			<b>\$</b>	<b>%</b>
Employee benefit expenses and severance payments	(3,280)	(2,778)	(502)	18.1
Interconnection costs and other telecommunication charges	(763)	(624)	(139)	22.3
Fees for services, maintenance, materials and supplies	(1,797)	(1,245)	(552)	44.3
Taxes and fees with the Regulatory Authority	(1,546)	(1,305)	(241)	18.5
Commissions	(1,098)	(1,317)	219	(16.6)
Agent commissions capitalized as SAC	216	372	(156)	(41.9)
Cost of equipment and handsets	(1,890)	(1,586)	(304)	19.2
Cost of equipment and handsets capitalized as SAC	21	38	(17)	(44.7)
Advertising	(290)	(177)	(113)	63.8

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Cost of VAS	(224)	(350)	126	(36.0)
Provisions	(98)	(25)	(73)	292.0
Bad debt expenses	(245)	(326)	81	(24.8)
Other operating expenses	(845)	(650)	(195)	30.0
<b>Subtotal</b>	<b>(11,839)</b>	<b>(9,973)</b>	<b>(1,866)</b>	<b>18.7</b>
Depreciation of PP&E	(1,267)	(1,105)	(162)	14.7
Amortization of SAC and service connection charges	(381)	(381)	-	-
Amortization of other intangible assets	(93)	(105)	12	(11.4)
Disposal and impairment of PP&E	6	(53)	59	n/a
<b>Total operating costs</b>	<b>(13,574)</b>	<b>(11,617)</b>	<b>(1,957)</b>	<b>16.8%</b>

CAPEX amounted to \$2,615 in 3Q17 and amounted to \$3,204 in 3Q16.

*OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017*

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Table of Contents**TELECOM ARGENTINA S.A.****4. Summary of comparative consolidated statements of financial position**

	September 30,				
	2017	2016	2015	2014	2013
Current assets	19,125	12,398	9,666	8,249	10,105
Non-current assets	38,910	30,597	24,360	16,423	11,845
<b>Total assets</b>	<b>58,035</b>	<b>42,995</b>	<b>34,026</b>	<b>24,672</b>	<b>21,950</b>
Current liabilities	20,515	21,563	14,503	8,829	7,639
Non-current liabilities	11,771	3,053	2,887	2,129	2,052
<b>Total liabilities</b>	<b>32,286</b>	<b>24,616</b>	<b>17,390</b>	<b>10,958</b>	<b>9,691</b>
Equity attributable to Telecom Argentina (Controlling Company)	25,063	17,843	16,318	13,378	12,027
Equity attributable non-controlling interest	686	536	318	336	232
<b>Total Equity</b>	<b>25,749</b>	<b>18,379</b>	<b>16,636</b>	<b>13,714</b>	<b>12,259</b>
<b>Total liabilities and equity</b>	<b>58,035</b>	<b>42,995</b>	<b>34,026</b>	<b>24,672</b>	<b>21,950</b>

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

	3Q17	3Q16	3Q15	3Q14	3Q13	9M17	9M16	9M15	9M14	9M13
Revenues and other income	16,741	13,419	10,098	8,608	7,127	47,324	38,854	28,605	24,223	19,853
Operating costs	(13,574)	(11,617)	(8,787)	(7,383)	(5,924)	(38,306)	(33,331)	(24,146)	(20,380)	(16,590)
<b>Operating income</b>	<b>3,167</b>	<b>1,802</b>	<b>1,311</b>	<b>1,225</b>	<b>1,203</b>	<b>9,018</b>	<b>5,523</b>	<b>4,459</b>	<b>3,843</b>	<b>3,263</b>
Financial results, net	(16)	(636)	(73)	76	163	(276)	(1,682)	(192)	230	377
<b>Income before income tax expense</b>	<b>3,151</b>	<b>1,166</b>	<b>1,238</b>	<b>1,301</b>	<b>1,366</b>	<b>8,742</b>	<b>3,841</b>	<b>4,267</b>	<b>4,073</b>	<b>3,640</b>
Income tax expense	(1,095)	(408)	(438)	(453)	(480)	(3,047)	(1,346)	(1,489)	(1,389)	(1,279)
<b>Net income</b>	<b>2,056</b>	<b>758</b>	<b>800</b>	<b>848</b>	<b>886</b>	<b>5,695</b>	<b>2,495</b>	<b>2,778</b>	<b>2,684</b>	<b>2,361</b>
Other comprehensive income, net of tax	55	34	(37)	-	54	152	274	(86)	233	83
<b>Total comprehensive income</b>	<b>2,111</b>	<b>792</b>	<b>763</b>	<b>848</b>	<b>940</b>	<b>5,847</b>	<b>2,769</b>	<b>2,692</b>	<b>2,917</b>	<b>2,444</b>
Attributable to Telecom Argentina (Controlling Company)	2,064	769	781	840	905	5,730	2,649	2,704	2,797	2,378
Attributable to non-controlling interest	47	23	(18)	8	35	117	120	(12)	120	66

6. **Statistical data (in physical units)**

v **Fixed services**(in thousands, except for lines in service per employees)

	9M17		9M16		9M15		9M14		9M13	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Lines in service	3,838	(23)	3,946	(28)	4,054	(10)	4,106	3	4,124	10
ADSL subscribers	1,746	11	1,800	2	1,804	18	1,750	24	1,669	35

Lines in service per employee (a)	357	-	357	-	373	-	370	-	373	-
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a) Line in services / effective employees.

v **Mobile services**

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

	9M17		9M16		9M15		9M14		9M13	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Post-paid subscribers (i)	2,047	(80)	2,132	10	2,069	6	2,210	(93)	2,450	1
Abono fijo plans (i)	4,370	71	4,278	(22)	4,092	82	3,915	62	3,749	10
Prepaid subscribers (ii)	12,530	(485)	13,384	(38)	13,164	(49)	13,451	44	13,374	46
Dongles (iii)	83	(5)	107	(6)	119	(13)	191	(22)	282	(3)
<b>Total subscribers</b>	<b>19,030</b>	<b>(499)</b>	<b>19,901</b>	<b>(56)</b>	<b>19,444</b>	<b>26</b>	<b>19,767</b>	<b>(9)</b>	<b>19,855</b>	<b>54</b>

Lines per employee	4,352	-	4,172	-	3,884	-	3,935	-	3,839	-
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(i) Lines which are paid through customer billing.

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

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



*OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017*

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Table of Contents**TELECOM ARGENTINA S.A.***Núcleo (in thousands, except for subscriber per employee disclosed in units)*

	9M17		9M16		9M15		9M14		9M13	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Post-paid subscribers (i)	22	-	22	(4)	29	-	30	1	30	1
Plan control subscribers (i)	351	(14)	392	(6)	361	16	311	3	290	12
Prepaid subscribers (ii)	2,059	(10)	2,038	(6)	2,020	(1)	1,943	39	1,925	19
Dongles (iii)	40	(1)	75	(12)	114	(4)	136	(5)	157	(5)
<b>Subtotal mobile</b>	<b>2,472</b>	<b>(25)</b>	<b>2,527</b>	<b>(28)</b>	<b>2,524</b>	<b>11</b>	<b>2,420</b>	<b>38</b>	<b>2,402</b>	<b>27</b>
Internet subscribers - Wimax	5	-	5	-	6	-	5	-	5	(1)
<b>Total subscribers</b>	<b>2,477</b>	<b>(25)</b>	<b>2,532</b>	<b>(28)</b>	<b>2,530</b>	<b>11</b>	<b>2,425</b>	<b>38</b>	<b>2,407</b>	<b>26</b>
<b>Lines per employee (iv)</b>	<b>6,388</b>	<b>-</b>	<b>6,240</b>	<b>-</b>	<b>6,186</b>	<b>-</b>	<b>5,817</b>	<b>-</b>	<b>5,547</b>	<b>-</b>

(i) Lines which are paid through customer billing.

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

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

(iv) Internet Wimax subscribers are not included.

**7. Consolidated ratios**

	9M17	9M16	9M15	9M14	9M13
Liquidity (1)	0.93	0.57	0.67	0.93	1.32
Solvency (2)	0.80	0.75	0.96	1.25	1.26
Locked-up capital (3)	0.67	0.71	0.72	0.67	0.54

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

**8. Outlook**

Fiscal year 2017 is developing in a more favorable macroeconomic context than previous years. We expect moderate economic growth rates for 2017 amounting to approximately 3% (GDP in real terms), with inflation rates that should be close to 22% per year. Also, we are confident that the demand of our products and services will remain at good levels, especially those related to Internet use, and in particular of those related to innovative offers associated with convergence at home, which the Company will continue launching in order to provide to most of our customers with the benefits of hiring our services in their home, company or by enjoying the wide access levels of Personal services. We will continue working to enrich our offer with products and services to encourage the increase of our ARPU in all business segments, with pricing policies segmented to the possibilities of each type of customer, without neglecting global profitability of our business.

Analyzing the evolution of our business service by service, we expect that fixed telephony evolution will continue in line with recent year's global trend, influenced by market maturity. Relating to the fixed access Internet service, in order to continue with home Internet improving, Ultra Broad Band (high bandwidth or UBB) will continue to be developed through technologies based on fiber optic in different network points, what will allow our customers in the near future to access to speeds over 100 Mgs.

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Personal will continue working focusing on service quality and the nationwide deployment of the 4G LTE network, improving coverage and network speed. Mobile Broadband services will also be expanded with new frequencies and more investments, continuing with technological reconversion and the expansion of the network capacity, obtaining LTE capacity in over than 80% of our sites.

For the high value mobile segment, we continue improving the user experience, working in simplifying customers management and attention, through more flexible and differential processes.

For prepaid subscribers, we will continue working on a social network-oriented offer, coupled with real-time campaigns that promote prepaid subscribers base and improve ARPU of such subscribers.

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**TELECOM ARGENTINA S.A.**

Also, convergent offers will continue to be developed by providing our customers with Internet services, fixed and mobile calls, with differential benefits for a joint services subscription. According to this, the convergent operator status and the market positioning in each country region will be enhanced.

For the corporate segment, efforts will continue to focus on the provision of converged solutions, with a portfolio that will provide customers with next-generation Datacenter services as well as value-added services associated with cloud computing and security solutions.

As disclosed in the consolidated financial statements, it is expected that the Regulatory Authority provides soon the necessary authorizations to implement the corporate integration of Telecom Argentina, and thereby facilitate the services convergence and the improvement of the relating commercial processes.

We will continue working on our goal of promoting operational excellence, looking for a better use of the Company's physical, human and technological resources, so as to continue meeting the profitability expectations of our investors. In order to achieve this goal, we have developed an ambitious multi-year business plan that foresees the implementation of an investment plan in last generation fixed and mobile network targeted to a convergent ICT market.

Finally, on August 31, 2017 the Shareholders Meeting of Telecom Argentina and Cablevisión S.A. have approved the Preliminary Merger Agreement subscribed on June 30, 2017 to merge their corporate and operational structures in order to become a convergent telecommunication supplier and participate in the sector opening, provided by the Argentine regulation for January 2018. In line with these actions, on October 31, 2017 the Chairmen of both companies signed the Final Merger Agreement, ad referendum of the ENACOM authorizations that may correspond under Decree No. 267/15.

The proposed transaction is part of a convergence global process in the provision of fixed and mobile telecommunications services, video and Internet distribution known as *cuádruple play*. This operation will allow the merged company to become a leader in convergent solutions to fulfill the digital people life and to facilitate the digital companies operations. The combination of the two companies will boost investment in the latest infrastructure of mobile technologies as well as the deployment of a high-speed fiber optic network.

The strategy implemented by the Company's Management outlines the necessary basis for the Telecom Group to pursue its continuous goals of improving service quality, strengthening its market positioning and adequately reward the invested capital of those who finance our businesses. Our strategy and the important plan of investments in capital assets are based on this vision of future and on the commitment of the Telecom Group with our country and its people.

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

*OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017*

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

(In millions of Argentine pesos)

	<u>Note</u>	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	6,197	3,945
Investments	2	1,941	1,751
Trade receivables	2	7,824	7,577
Other receivables	2	1,212	1,011
Inventories	2	1,951	1,278
<b>Total current assets</b>		<b>19,125</b>	<b>15,562</b>
<b>Non-Current Assets</b>			
Trade receivables	2	16	208
Other receivables	2	408	360
Income tax assets	2	823	680
Investments	2	4,136	347
Property, plant and equipment ( PP&E )	2	26,333	23,165
Intangible assets	2	7,194	7,592
<b>Total non-current assets</b>		<b>38,910</b>	<b>32,352</b>
<b>TOTAL ASSETS</b>		<b>58,035</b>	<b>47,914</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables	2	10,660	8,979
Deferred revenues	2	818	443
Financial debt	2	2,816	3,266
Salaries and social security payables	2	2,071	1,610
Income tax payables	2	2,491	724
Other taxes payables	2	1,169	1,149
Dividends payable	2	20	-
Other liabilities	2	88	69
Provisions	6	382	271
<b>Total current liabilities</b>		<b>20,515</b>	<b>16,511</b>
<b>Non-Current Liabilities</b>			
Trade payables	2	169	152
Deferred revenues	2	409	445
Financial debt	2	8,995	8,646
Salaries and social security payables	2	180	184
Deferred income tax liabilities	2	188	569
Income tax payables	2	3	7
Other liabilities	2	212	170
Provisions	6	1,615	1,352
<b>Total non-current liabilities</b>		<b>11,771</b>	<b>11,525</b>
<b>TOTAL LIABILITIES</b>		<b>32,286</b>	<b>28,036</b>
<b>EQUITY</b>			
Equity attributable to Telecom Argentina (Controlling Company)		<b>25,063</b>	<b>19,336</b>

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Equity attributable to non-controlling interest		686	542
<b>TOTAL EQUITY</b> (see Unaudited Condensed Consolidated Statement of Changes in Equity)	7	25,749	19,878
<b>TOTAL LIABILITIES AND EQUITY</b>		58,035	47,914

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

**Mariano Ibáñez**  
**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><u>Three-month periods</u></b>		<b><u>Nine-month periods</u></b>	
	<b><u>Note</u></b>	<b><u>ended September 30,</u></b>		<b><u>ended September 30,</u></b>	
		<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Revenues	2	16,719	13,412	47,263	38,818
Other income	2	22	7	61	36
<b>Total revenues and other income</b>		<b>16,741</b>	<b>13,419</b>	<b>47,324</b>	<b>38,854</b>
Employee benefit expenses and severance payments	2	(3,280)	(2,778)	(9,158)	(7,213)
Interconnection costs and other telecommunication charges	2	(763)	(624)	(2,295)	(1,954)
Fees for services, maintenance, materials and supplies	2	(1,797)	(1,245)	(4,756)	(3,580)
Taxes and fees with the Regulatory Authority	2	(1,546)	(1,305)	(4,416)	(3,799)
Commissions	2	(882)	(945)	(2,685)	(2,795)
Cost of equipment and handsets	2	(1,869)	(1,548)	(4,638)	(4,631)
Advertising	2	(290)	(177)	(769)	(548)
Cost of VAS	2	(224)	(350)	(690)	(1,142)
Provisions	6	(98)	(25)	(357)	(106)
Bad debt expenses	2	(245)	(326)	(920)	(844)
Other operating expenses	2	(845)	(650)	(2,394)	(2,032)
Depreciation and amortization	2	(1,741)	(1,591)	(5,133)	(4,485)
Disposal and impairment of PP&E	2	6	(53)	(95)	(202)
<b>Operating income</b>		<b>3,167</b>	<b>1,802</b>	<b>9,018</b>	<b>5,523</b>
Finance income	2	757	129	1,773	601
Finance expenses	2	(773)	(765)	(2,049)	(2,283)
<b>Income before income tax expense</b>		<b>3,151</b>	<b>1,166</b>	<b>8,742</b>	<b>3,841</b>
Income tax expense	2	(1,095)	(408)	(3,047)	(1,346)
<b>Net income for the period</b>		<b>2,056</b>	<b>758</b>	<b>5,695</b>	<b>2,495</b>
<b>Attributable to:</b>					
Telecom Argentina (Controlling Company)		2,026	746	5,641	2,471
Non-controlling interest		30	12	54	24
		<b>2,056</b>	<b>758</b>	<b>5,695</b>	<b>2,495</b>
<b>Earnings per share attributable to Telecom Argentina basic and diluted</b>	<b>1.d</b>	<b>2.09</b>	<b>0.77</b>	<b>5.82</b>	<b>2.55</b>

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

**Mariano Ibáñez**  
**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)

	<u>Three-month periods</u> <u>ended September 30,</u>		<u>Nine-month periods</u> <u>ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Net income for the period</b>	<b>2,056</b>	<b>758</b>	<b>5,695</b>	<b>2,495</b>
<b>Other components of the Statements of Comprehensive Income</b>				
<u>Will be reclassified subsequently to profit or loss</u>				
Currency translation adjustments (no effect on Income Tax)	47	34	181	282
Subsidiaries NDF effects classified as hedges	8	-	(29)	(8)
<b>Other components of the comprehensive income, net of tax</b>	<b>55</b>	<b>34</b>	<b>152</b>	<b>274</b>
<b>Total comprehensive income for the period</b>	<b>2,111</b>	<b>792</b>	<b>5,847</b>	<b>2,769</b>
<b>Attributable to:</b>				
Telecom Argentina (Controlling Company)	2,064	769	5,730	2,649
Non-controlling interest	47	23	117	120
	<b>2,111</b>	<b>792</b>	<b>5,847</b>	<b>2,769</b>

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

**Mariano Ibáñez**  
**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)

	Owners Contribution					Equity attributable to Telecom Argentina (Controlling Company)					compr
	Outstanding shares		Treasury shares			Reserves				For future cash dividends payments	
	Capital nominal value (1)	Inflation adjustment	Capital nominal value (1) (2)	Inflation adjustment (2)	Treasury shares acquisition cost(2)	Legal	Special for IFRS implementation	Voluntary for capital investments (2)	Voluntary for future investments		
<b>Balances as of January 1, 2016</b>	969	2,646	15	42	(461)	734	351	3,191	2,904	2,869	
Reserve for future cash dividends payments (3)	-	-	-	-	-	-	-	-	-	-	3,403
Dividends (4)	-	-	-	-	-	-	-	-	-	-	(2,000)
<b>Comprehensive income:</b>											
Net income for the period	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Balances as of September 30, 2016</b>	969	2,646	15	42	(461)	734	351	3,191	2,904	4,272	
<b>Balances as of January 1, 2017</b>	969	2,646	15	42	(461)	734	351	3,191	2,904	4,272	
Reserve for future cash dividends payments (5)	-	-	-	-	-	-	-	(2,730)	(2,904)	-	9,609
Dividends from Núcleo (6)	-	-	-	-	-	-	-	-	-	-	-
Increase of equity interest in Personal (7)	-	-	-	-	-	-	-	-	-	-	-
Tuves Paraguay acquisition (8)	-	-	-	-	-	-	-	-	-	-	-
<b>Comprehensive income:</b>											

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Net income for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	-	-	-	-
<b>Balances as of September 30, 2017</b>	<b>969</b>	<b>2,646</b>	<b>15</b>	<b>42</b>	<b>(461)</b>	<b>734</b>	<b>351</b>	<b>461</b>	<b>-</b>	<b>13,881</b>

(1) As of September 30, 2017 and 2016, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of the same dates, 15,221,373 were treasury shares.

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

(3) As approved by the Ordinary Shareholders Meeting held on April 29, 2016.

(4) As approved by the Board of Directors Meeting of the Company held on April 29, 2016.

(5) As approved by the Ordinary and Extraordinary Shareholders Meeting of the Company held on April 27, 2017.

(6) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 28, 2017.

(7) See note 1.

(8) See note 12.j

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

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

Table of Contents**TELECOM ARGENTINA S.A.****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of Argentine pesos)

	<u>Note</u>	<u>Nine-month periods ended September 30,</u>	
		<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net income for the period		5,695	2,495
<b>Adjustments to reconcile net income to net cash flows provided by operating activities</b>			
Bad debt expenses	2	920	844
Allowance for obsolescence of inventories, materials and other deducted from assets	2	78	54
Depreciation of PP&E	2	3,702	3,087
Amortization of intangible assets	2	1,431	1,398
Consumption of materials	2	631	346
Disposal and impairment of PP&E		76	200
Net book value of disposal of PP&E		32	11
Provisions	6	357	106
Other financial losses		804	1,155
Income tax expense	2	3,047	1,346
Income tax paid	3	(1,840)	(1,280)
Net increase in assets	3	(1,975)	(2,724)
Net increase (decrease) in liabilities	3	2,610	(679)
<b>Total cash flows provided by operating activities</b>	<b>3</b>	<b>15,568</b>	<b>6,359</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
PP&E acquisitions	3	(7,825)	(6,808)
Intangible assets acquisitions	3	(723)	(1,317)
Increase of equity interest in Personal	12	(4)	-
Proceeds on the sale of PP&E		23	13
Cash flows related to the acquisition of Tuves Paraguay		2	-
Investments not considered as cash and cash equivalents	3	(3,271)	1,139
<b>Total cash flows used in investing activities</b>		<b>(11,798)</b>	<b>(6,973)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Proceeds from financial debt	3	2,262	4,478
Payment of financial debt	3	(3,019)	(1,231)
Payment of interest and related costs	3	(753)	(1,189)
Payment of cash dividends and related tax withholdings	3	(18)	(2,000)
<b>Total cash flows (used in)/provided by financing activities</b>		<b>(1,528)</b>	<b>58</b>
<b><u>NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</u></b>		<b>10</b>	<b>55</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,252</b>	<b>(501)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>3,945</b>	<b>870</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>6,197</b>	<b>369</b>

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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.

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



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**TELECOM ARGENTINA S.A.**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2017 AND 2016**

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

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**TELECOM ARGENTINA S.A.**

**GLOSSARY OF TERMS**

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

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

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

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

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

*CAPEX*: Capital Expenditures Investments.

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

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

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

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

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

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

*D&A:* Depreciation and amortization.

*DLD:* Domestic long-distance.

*ENACOM:* The National Communications Agency.

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

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

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

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

*Fintech:* Fintech Telecom LLC, the parent company of Sofora.

*IAS:* International Accounting Standards.

*IASB:* International Accounting Standards Board.

*ICT*: Information and Communication Technologies.

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

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

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

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

*Lebacs*: Notes issued by the BCRA.

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**TELECOM ARGENTINA S.A.**

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

*Micro Sistemas:* Micro Sistemas S.A.

*NDF:* Non-Deliverable Forward.

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

*Núcleo:* Núcleo S.A.

*NYSE:* New York Stock Exchange.

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

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

*Personal:* Telecom Personal S.A.

*Personal Envíos:* Personal Envíos S.A.

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

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

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

*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 RT 29 and RT 43.

*SAC:* Subscriber Acquisition Costs.

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

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

*SMS:* Short message systems.

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

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

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

*Telecom USA*: Telecom Argentina USA Inc.

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

*Tuves Paraguay*: Tuves Paraguay S.A.

*US GAAP*: United States of America Generally Accepted Accounting Principles.

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

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

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

As required by the CNV for most of public companies, these consolidated financial statements have been prepared in accordance with RT 26 of FACPCE (as amended by RT 29 and RT 43) and in accordance with IFRS as issued by the IASB, as adopted by the CPCECABA.

For the preparation of these consolidated financial statements, the Company has elected to make use of the option provided by IAS 34, so, these consolidated financial statements do not include all the information required in an annual financial statement, and must be read jointly with the 2016 annual consolidated financial statements which can be consulted at the Company's website ([www.telecom.com.ar/inversores](http://www.telecom.com.ar/inversores)).

As of September 30, 2017, entities included in the consolidation process and the respective equity interest owned by Telecom Argentina is presented as follows:

Subsidiaries	Percentage of capital stock owned and voting rights (i)	Indirect control through	Date of acquisition	Segment that consolidates (Note 4)
Telecom USA	100.00%		09.12.00	Fixed Services
Micro Sistemas (ii)	99.99%		12.31.97	Fixed Services
Personal	100.00%		07.06.94	Personal Mobile Services
Núcleo (iii)	67.50%	Personal	02.03.98	Núcleo Mobile Services
Personal Envíos (iii)	67.50%	Núcleo	07.24.14	Núcleo Mobile Services
Tuves Paraguay (iv)	47.25%	Núcleo	06.30.17	Núcleo Mobile Services

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

(ii) Dormant entity as of September 30, 2017 and December 31, 2016 and for the six-month periods ended September 30, 2017 and 2016.

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

(iv) Non-controlling interest of 22.75% is owned by the Paraguayan company ABC Telecomunicaciones S.A. and non-controlling interest of 30.00% is owned by TU VES S.A. Chile (See Note 12.j).

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



(i) the accounting of the acquisition of the whole remaining shares of its subsidiary Telecom Personal (0.008%, see Note 12.c). By means of this transaction, the minority interest was adjusted in \$1 and the difference between the purchase value (amounting to \$4) and the minority interest was recorded into the account Cost of equity interest increase in controlled companies within the Consolidated Statement of Changes in Equity Controlling Company as of September 30, 2017 in accordance with the provisions of IFRS 10.

(ii) the accounting of the controlling interest acquisition of Tuves Paraguay, as of June 30, 2017. For this controlling interest acquisition, the provisions of IFRS 3 Business Combination have been followed (See Note 12.j).

These unaudited condensed interim financial statements for the nine-month period ended September 30, 2017 have not been audited. The Company's management estimates they include all the necessary adjustments to present fairly the results of operations for each period. The results for the nine-month period ended September 30, 2017, does not necessarily reflect in proportion the Company's results for the complete year.

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

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

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

Publication of these consolidated financial statements for the period ended September 30, 2017 was approved by resolution of the Board of Directors' meeting held on November 10, 2017.

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**b) Financial statement formats**

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

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

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

In addition, certain non-material reclassifications have been included in the comparative figures for the nine-month period ended September 30, 2016 of the consolidated income statements under Other Income and Disposal and impairment of PP&E with the purpose of improving the comparability of information with that elaborated for the nine-month period ended September 30, 2017.

**c) Segment reporting**

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

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

Information regarding segment reporting is included in Note 4.

**d) Net income per share**

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

For the nine and three month periods ended September 30, 2017 and 2016, the weighted average number of shares outstanding totaled 969,159,605 shares, respectively, due to the changes caused by the Treasury Shares Acquisition Process that began in May 2013, as described in Note 7.b) to these consolidated financial statements.

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

IAS 29 establishes the conditions under which an entity shall restate its financial statements if it is located in an economic environment considered hyperinflationary. It should be mentioned that if the qualitative and / or quantitative characteristics to consider an economy as a hyperinflationary economy set out in paragraph 3 of IAS 29 occur, the restatement of financial statements must be made retroactively from the date of the revaluation used as deemed cost (in the case of Group companies located in Argentina, since February 2003) or from the acquisition date for assets acquired after that date.

The Company's Management periodically verifies the evolution of official statistics as well as the general factors of the economic environment in the countries in which the Telecom Group operates. The

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Company's Management also considers the opinion of other organizations interested in this matter: the national and international accounting profession, domestic and foreign audit firms, national and the United States' capital market regulators, and, in particular, the International Practices Task Force ( IPTF ), aware that the conclusions to which a financial statement issuer arrives must be consistent with the vision of those organizations for an uniform application of IAS 29.

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

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

After declaring a state of statistical emergency in January 2016 and due to the reorganization of the INDEC structure, that agency was impelled to publish the Internal Wholesale Price Index for November and December 2015 and the Consumer Price Index for the period November 2015- April 2016. Under these circumstances, the INDEC suggested the alternative utilization of Price Indexes published by the Province of San Luis and the City of Buenos Aires, which are integral part of the National Statistic System until the INDEC publishes Price Indexes in compliance with international standards of quality. Finally, in May 2016 the INDEC published the Internal Wholesale Price Index ( IPIM ) retroactively from January 2016 while the Consumer Price Index ( IPC ) was published from May 2016. It is worth mentioning that, as of the date of issuance of these consolidated financial statements, the INDEC has not completed the IPIM and IPC's statistical series, despite the requirements of domestic accounting profession organizations.

Therefore, for years 2015 and 2016 the Company analysis was performed according to Consumer Price Index and Internal Wholesale Price Index published by the INDEC until October 2015 and it was complemented applying November and December 2015 Price Index published by the Province of San Luis and the City of Buenos Aires, as the INDEC suggested. Also, the company applied Price Index of the period January-April 2016 published by the Province of San Luis and the City of Buenos Aires for the calculation of the Consumer Price Index for the year 2016. It is worth mentioning that these simplified procedures as provided in paragraph 17 of IAS 29 were performed due to the unavailability of official statistics at national level.

The tables below show the evolution of these indexes in the last three years according to official statistics (INDEC), with the exceptions explained above regarding the use of alternative indexes for November and December 2015 for Consumer Price and Internal Wholesale Price and, additionally, the Consumer Price Index for the period January-April 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>Consumer Price Index</u></b>		<b>(*)</b>	<b>(**)</b>
Consumer Price Index (annual)	23.9%	20.6%	36.3%
Consumer Price Index (3 years accumulated)	52.4%	65.8%	103.7%
<b><u>Internal Wholesale Price Index</u></b>			
Internal Wholesale Price Index (annual)	28.3%	19.2%	34.6%
Internal Wholesale Price Index (3 years accumulated)	66.5%	75.4%	105.8%

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

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

The Annual Price Index for the last year (Consumer Price Index: 36.3%, Internal Wholesale Price: 34.6%) and three years accumulated (Consumer Price Index: 103.7%, Internal Wholesale Price: 105.8%) show high levels of inflation rates that, for the first time, exceed 100% accumulated and highlight, between other matters, the effect in the internal prices of the Argentine peso devaluation since December 2015, the elimination of certain exchange restrictions, and the increase in the public services tariffs approved by the Government after been frozen for more than a decade.

According to the high inflation levels in Argentina registered in the last years, the Company's Management has further assessed the characteristics set out in paragraph 3 of IAS 29, including (i) the quantitative condition provided in section (e) *the cumulative inflation rate over three years is approaching, or exceeds, 100%*, as well as (ii) the qualitative characteristics contained in paragraphs a) to d) of that paragraph.

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From the analysis assessed as of December 31, 2016, the Company's Management considered that the quantitative condition provided in section e) of IAS 29 has been met, while the qualitative conditions of the Argentine economy are mixed (some of them would recommend the existence of a high inflation environment and others have not substantially changed respect to previous years, when it was concluded that financial statements should not be restated). Under these circumstances, and in order to objectify the analysis, the Company's Management gave priority to the conclusions reached by some international auditing firms to which the Company's Management had access, which considered that, to such date, there was insufficient evidence to consider the Argentine economy as hyperinflationary under IAS 29 terms. Similar conclusions for US GAAP were reached by the IPTF, according to its memo issued on November 17, 2016.

An extract of the mentioned memo stated in point III.A.3(a) related to countries with projected inflation rates above 100% (accumulated over the last three years): *The Task Force is aware that in late December 2016, certain US accounting firms submitted a white paper to the SEC staff from the Office of the Chief Accountant that asserted that the firms would not require a registrant to consider Argentina's economy as highly inflationary under US GAAP for the reporting period from October 1, 2016 to December 31, 2016. The SEC staff from the Office of the Chief Accountant, after reviewing the white paper submitted by the firms, stated that the staff would not object to a calendar year-end registrant's determination that Argentina's economy would not be considered highly inflationary under US GAAP for the reporting period from October 1, 2016 to December 31, 2016.* In addition, the Task Force suggests registrants to continue monitoring inflation information and other Argentine economy conditions in order to assess whether it is necessary to consider it as highly inflationary during 2017.

While there are differences in the definition of a hyperinflationary and highly inflationary environments between IFRS and US GAAP, respectively, the Company believed that the assessment of the macroeconomic situation of a country should be substantially similar under both accounting frameworks and, on this condition, considered consistent the conclusions arrived by the IPTF with those provided in the analysis assessed by international audit firms according to IFRS and US GAAP.

Additionally, while the CNV required public companies the full implementation of IFRS-as issued by the IASB- from periods beginning on January 1, 2012, Decree No.664/03 continues to be in force as of the date of issuance of these consolidated financial statements. Through this Decree, the PEN instructed the control authorities including the CNV- not to accept filings of restated financial statements. This legal restriction is foreseen in the current Regulations of the CNV (Title IV - Chapter III Article 3 - paragraph 1

Developments of the nine-month period of 2017

The publication of the INDEC inflation index for the current year has shown a decrease in inflation levels during the first nine months of 2017 as compared to 2016 (the cumulative coefficient of the CPI in the first nine months of 2017 amounts to 17.5% and IPIM to 13.5%, while the accumulated CPI coefficient for the last 36 months amounts to approximately 99.6% and the IPIM rate is approximately 87.9%). Based on the deceleration in inflation rates during the first nine months of 2017 and in the analysis performed as of December 31, 2016 described above, the Company's Management has concluded that no new evidence has been verified during the current period which leads to qualify the economy as highly inflationary.

Similar conclusions for US GAAP were reached by the IPTF, according to its memo issued on May 16, 2017.

An extract of the mentioned memo stated that: *Considering the guidance in ASC 830, it does not appear that Argentina would be required to be considered highly-inflationary for the reporting periods from January 1, 2017 to June 30, 2017 for calendar year-end registrants. Registrants would be expected to have appropriate controls in place to monitor Argentina's reported inflation data throughout 2017 and consider other pertinent economic indicators to determine if and when Argentina should be considered highly-inflationary.*

For these reasons, these financial statements have not been adjusted for inflation in accordance with IAS 29. Although the above described, the Company's Management will continue monitoring the characteristics and the evolution of the inflation rates in Argentina in order to comply properly with IAS 29 provisions, with special consideration of the pronouncements of Argentine regulators which as of the date are forbidden to accept the filing of financial statements restated for inflation according to Decree No. 664/03 and its supplementary standards. The Company's Management will also monitor the pronouncements of foreign regulators, as well as the evaluation that the domestic and international accounting profession will perform with regards to the uniform application of IAS 29 together with other issuers that apply IFRS in the Argentine Republic.

Table of Contents**NOTE 2 BREAKDOWN OF THE MAIN ACCOUNTS**

<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>		<b>September 30,</b>	<b>December 31,</b>
<b>CURRENT ASSETS</b>		<b>2017</b>	<b>2016</b>
<b>a) Cash and cash equivalents</b>			
Cash		36	56
Banks		300	878
Time deposits		2,221	898
Lebacks at fair value		3,605	-
Lebacks at amortized cost		-	604
Other short-term investments		35	1,509
		<b>6,197</b>	<b>3,945</b>
<b>b) Investments</b>			
Government bonds at fair value		346	1,456
Government bonds at amortized cost in foreign currency		350	3
Provincial government bonds at amortized cost in foreign currency		45	-
Government bonds at amortized cost US dollar linked		281	-
Provincial and Municipal government bonds at amortized cost US dollar linked		33	12
Provincial and Municipal government bonds at amortized cost		8	10
Other short-term investments		878	270
		<b>1,941</b>	<b>1,751</b>
<b>c) Trade receivables</b>			
Fixed Services		1,913	1,949
Personal Mobile Services Services sales		4,236	3,733
Personal Mobile Services Equipment sales		1,992	2,257
Núcleo Mobile Services		213	271
	<b>Subtotal</b>	<b>8,354</b>	<b>8,210</b>
Allowance for doubtful accounts		(530)	(633)
		<b>7,824</b>	<b>7,577</b>

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

	<b>Nine-month periods ended</b>	
	<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>At the beginning of the year</b>	<b>(633)</b>	<b>(386)</b>
Additions bad debt expenses	(920)	(844)
Uses	1,025	631
Currency translation adjustments	(2)	(2)
<b>At the end of the period</b>	<b>(530)</b>	<b>(601)</b>

	<b>September 30,</b>	<b>December 31,</b>
	<b>2017</b>	<b>2016</b>
<b>d) Other receivables</b>		
Prepaid expenses	651	620
Expenses reimbursement	137	126
Tax credits	173	46
Restricted funds	46	33
Receivables for return of handsets under warranty	17	29
Guarantee deposits	10	10



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PP&E disposal receivables	8	18
Tax on personal property on behalf of shareholders	-	8
NDF (*)	45	2
Companies under Section 33 Law No. 19,550 (Note 5.c)	5	-
Other	142	140
<b>Subtotal</b>	<b>1,234</b>	<b>1,032</b>
Allowance for other receivables	(22)	(21)
	<b>1,212</b>	<b>1,011</b>

(\*) Include 41 of financial NDF as of September 30, 2017.

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Movements in the allowance for other receivables are as follows:

	<u>Nine-month periods ended</u>	
	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>At the beginning of the year</b>	(21)	(25)
Additions	(1)	(1)
Uses	-	2
<b>At the end of the period</b>	<b>(22)</b>	<b>(24)</b>

e) Inventories	<u>September 30,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
Mobile handsets and others	1,723	1,321
Equipment for construction projects	261	-
Fixed telephones and equipment	13	11
	<b>Subtotal</b>	<b>1,332</b>
Allowance for obsolescence of inventories	(46)	(54)
	<b>1,951</b>	<b>1,278</b>

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

	<u>Nine-month periods ended</u>	
	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>At the beginning of the year</b>	(54)	(86)
Additions Fees for services, maintenance and materials	(10)	(36)
Uses	18	42
<b>At the end of the period</b>	<b>(46)</b>	<b>(80)</b>

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

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Sales of equipment and handsets - Fixed Services	269	13	294	78
Cost of equipment and handsets Fixed Services	(202)	(39)	(233)	(126)
<b>Total equipment income (loss) Fixed Services</b>	<b>67</b>	<b>(26)</b>	<b>61</b>	<b>(48)</b>
Sales of equipment and handsets Personal Mobile Services	1,871	1,711	5,250	5,649
Cost of equipment and handsets Personal Mobile Services	(1,641)	(1,411)	(4,319)	(4,252)
<b>Total equipment income Personal Mobile Services</b>	<b>230</b>	<b>300</b>	<b>931</b>	<b>1,397</b>
Sales of equipment and handsets Núcleo Mobile Services	23	91	73	217
Cost of equipment and handsets Núcleo Mobile Services	(26)	(98)	(86)	(253)
<b>Total equipment loss Núcleo Mobile Services</b>	<b>(3)</b>	<b>(7)</b>	<b>(13)</b>	<b>(36)</b>
<b>Total equipment and handsets sale</b>	<b>2,163</b>	<b>1,815</b>	<b>5,617</b>	<b>5,944</b>
<b>Total cost of equipment and handsets (net of SAC capitalization)</b>	<b>(1,869)</b>	<b>(1,548)</b>	<b>(4,638)</b>	<b>(4,631)</b>
<b>Total income for sale of equipment and handsets</b>	<b>294</b>	<b>267</b>	<b>979</b>	<b>1,313</b>

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	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>NON-CURRENT ASSETS</b>		
<b>f) Trade receivables</b>		
Fixed Services	3	14
Núcleo Mobile Services    Equipment sales	13	194
	<b>16</b>	<b>208</b>
<b>g) Other receivables</b>		
Prepaid expenses	271	258
Credit on SC Resolution No. 41/07 and IDC	56	57
Restricted funds	43	33
Regulatory receivables (Paraguay)	37	27
Indemnity receivables relating Tuves Paraguay acquisition	27	-
Tax on personal property    on behalf of shareholders	18	18
Tax credits	12	11
Guarantee deposits	13	12
Other	11	19
	<b>Subtotal</b>	<b>488</b>
Allowance for regulatory matters	(56)	(57)
Allowance for tax on personal property	(18)	(18)
Allowance for regulatory credits (Paraguay) (i)	(6)	-
	<b>408</b>	<b>360</b>

(i) Included in regulatory receivables.

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Movements in the allowance for regulatory matters are as follows:

	<u>Nine-month periods ended</u>	
	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>At the beginning of the year</b>	(57)	(84)
Uses	1	-
<b>At the end of the period</b>	<b>(56)</b>	<b>(84)</b>

Movements in the allowance for tax on personal property are as follows:

	<u>Nine-month periods ended</u>	
	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>At the beginning of the year</b>	(18)	(18)
Additions	-	-
<b>At the end of the period</b>	<b>(18)</b>	<b>(18)</b>

	<u>September 30,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
<b>h) Investments</b>		
National government bonds at amortized cost in foreign currency	3,755	255
Provincial and municipal government bonds at amortized cost in foreign currency	344	-
Provincial and municipal government bonds at amortized cost US dollar linked	36	61
Provincial and municipal government bonds at amortized cost	-	8
Tuves Paraguay shares purchase option	-	22
2003 Telecommunications Fund	1	1
	<b>4,136</b>	<b>347</b>
<b>i) PP&amp;E</b>		
Land, buildings and facilities	1,502	1,310
Computer equipment and software	2,093	2,265
Switching and transmission equipment (i)	6,023	5,614
Mobile network access and external wiring	10,350	9,078
Construction in progress	3,466	2,915
Other tangible assets	780	704
	<b>Subtotal PP&amp;E</b>	<b>21,886</b>
Materials	2,608	1,629
Valuation allowance and impairment for materials	(136)	(68)
Impairment of PP&E	(353)	(282)
	<b>Total PP&amp;E</b>	<b>23,165</b>

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

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

**Nine-month periods ended**

	<b><u>September 30.</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>At the beginning of the year</b>	<b>23,515</b>	<b>18,218</b>
CAPEX	5,745	6,403
Materials	1,531	893
<b>Total PP&amp;E additions</b>	<b>7,276</b>	<b>7,296</b>
Tuves Paraguay acquisition	160	-
Currency translation adjustments	236	406
Consumption of materials	(631)	(346)
Decreases	(32)	(30)
Depreciation of the period	(3,702)	(3,088)
<b>At the end of the period</b>	<b>26,822</b>	<b>22,456</b>

Movements in the valuation allowance and impairment for materials are as follows:

**Nine-month periods ended**

	<b><u>September 30.</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>At the beginning of the year</b>	<b>(68)</b>	<b>(52)</b>
Additions - Fees for services, maintenance, and materials	(68)	(13)
<b>At the end of the period</b>	<b>(136)</b>	<b>(65)</b>

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

	<u>Nine-month periods ended</u>	
	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>At the beginning of the year</b>	<b>(282)</b>	<b>(203)</b>
Additions Impairment of PP&E	(71)	(195)
<b>At the end of the period</b>	<b>(353)</b>	<b>(398)</b>

	<u>September 30,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
<b>j) Intangible assets</b>		
SAC fixed services	59	96
SAC mobile services	1,190	1,427
Service connection or habilitation costs	127	119
3G/4G licenses	4,861	5,105
PCS license	588	588
Rights of use and exclusivity	226	256
Customer relationship	128	1
Tuves Paraguay goodwill (Note 12.j)	2	-
Other intangible assets	13	-
	<b>7,194</b>	<b>7,592</b>

Movements in Intangible assets are as follows:

	<u>Nine-month periods ended</u>	
	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>At the beginning of the year</b>	<b>7,592</b>	<b>7,659</b>
CAPEX	893	1,296
Tuves Paraguay acquisition	141	-
Currency translation adjustments	11	19
Decreases	(12)	-
Amortization of the period	(1,431)	(1,398)
<b>At the end of the period</b>	<b>7,194</b>	<b>7,576</b>

<b>CURRENT LIABILITIES</b>	<u>September 30,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
<b>k) Trade payables</b>		
For the acquisition of PP&E	3,292	4,496
For the acquisition of other assets and services	3,981	3,422
For the acquisition of inventory	3,166	676
Companies under Section 33-Law No.19,550 (note 5.c)	2	-
<b>Subtotal suppliers</b>	<b>10,441</b>	<b>8,594</b>
Agent commissions	219	385
	<b>10,660</b>	<b>8,979</b>
<b>l) Deferred revenues</b>		
On construction projects	347	-
On prepaid calling cards Fixed and Mobile services	268	261
On connection fees Fixed Services	34	35
On international capacity rental	52	41
On mobile customer loyalty programs	108	87

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From CONATEL Núcleo Mobile Services	-	4
Other	9	15
	<b>818</b>	<b>443</b>
<b>m) Financial debt</b>		
Bank overdrafts principal (Personal)	49	1,666
Bank overdrafts principal (Telecom Argentina)	561	41
Bank loans principal (Núcleo)	107	219
Bank loans others principal (Personal)	-	620
Notes principal (Personal)	718	566
NDF	26	2
Accrued interests (Personal)	1,352	145
Accrued interests (Telecom Argentina)	2	-
Accrued interests (Núcleo)	1	7
	<b>2,816</b>	<b>3,266</b>
<b>n) Salaries and social security payables</b>		
Annual complementary salaries, vacation and bonuses	1,552	1,102
Social security payables	372	383
Termination benefits	147	125
	<b>2,071</b>	<b>1,610</b>

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	<b>September 30,</b> <b>2017</b>	<b>December 31,</b> <b>2016</b>
<b>o) Income tax payables</b>		
Income tax payables 2016	-	2,091
Income tax payables 2017	3,615	-
Income tax withholdings and payments in advance	(1,129)	(1,372)
Law No. 26,476 Tax Regularization Regime	5	5
	<b>2,491</b>	<b>724</b>
<b>p) Other taxes payables</b>		
VAT, net	418	360
Tax withholdings	214	319
Internal taxes	144	138
Tax on SU	118	110
Turnover tax	104	75
Regulatory fees	80	60
Municipal taxes	63	53
Perception Decree No.583/10 ENARD	28	26
Tax on personal property on behalf of shareholders	-	8
	<b>1,169</b>	<b>1,149</b>
<b>q) Dividends payable</b>		
Related parties (Note 5.c)	20	-
	<b>20</b>	<b>-</b>
<b>r) Other liabilities</b>		
Compensation for directors and members of the Supervisory Committee	42	44
Guarantees received	18	15
Other	28	10
	<b>88</b>	<b>69</b>
<b>NON-CURRENT LIABILITIES</b>		
<b>s) Trade payables</b>		
For the acquisition of PP&E	169	152
	<b>169</b>	<b>152</b>
<b>t) Deferred revenues</b>		
On international capacity rental Fixed Services	202	252
On connection fees Fixed Services	82	87
On mobile customer loyalty programs	125	106
	<b>409</b>	<b>445</b>
<b>u) Financial debt</b>		
Notes principal (Personal)	741	2,084
Bank loans IFC loan principal (Personal)	7,963	6,234
Bank loans principal (Núcleo)	258	328
NDF	33	-
	<b>8,995</b>	<b>8,646</b>
<b>v) Salaries and social security payables</b>		
Termination benefits	142	144
Bonuses	38	40
	<b>180</b>	<b>184</b>
<b>w) Income tax payables</b>		
Law No. 26,476 Tax Regularization Regime	3	7
	<b>3</b>	<b>7</b>
<b>x) Other liabilities</b>		
Pension benefits	205	164
Legal fees	4	4
Other	3	2
	<b>212</b>	<b>170</b>



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## y) Income tax assets and deferred income tax assets and liabilities

Telecom Group's deferred income tax assets and liabilities and the actions for recourse tax receivables consist of the following:

<u>As of September 30, 2017</u>	Income tax assets			Deferred tax liabilities		
	Telecom Argentina	Telecom USA	Total	Personal	Núcleo	Total
Allowance for doubtful accounts	141	4	145	413	16	429
Provisions	367	-	367	212	-	212
PP&E	-	2	2	-	18	18
Inventory	-	-	-	77	-	77
Termination benefits	87	-	87	-	-	-
Deferred revenues	82	-	82	-	-	-
Pension benefits	72	-	72	-	-	-
Other deferred tax assets, net	97	-	97	-	1	1
<b>Total deferred tax assets</b>	<b>846</b>	<b>6</b>	<b>852</b>	<b>702</b>	<b>35</b>	<b>737</b>
PP&E	(423)	-	(423)	(141)	-	(141)
Intangible assets	(72)	-	(72)	(500)	-	(500)
Cash dividends from foreign companies	-	-	-	(a) (156)	(52)	(208)
Mobile handsets financed sales	-	-	-	(48)	-	(48)
Tuves Paraguay's deferred tax liabilities, net	-	-	-	-	(d) (25)	(25)
Other deferred tax liabilities, net	-	-	-	(3)	-	(3)
<b>Total deferred tax liabilities</b>	<b>(495)</b>	<b>-</b>	<b>(495)</b>	<b>(848)</b>	<b>(77)</b>	<b>(925)</b>
<b>Total deferred tax assets (liabilities), net</b>	<b>(b) 351</b>	<b>6</b>	<b>357</b>	<b>(c) (146)</b>	<b>(e) (42)</b>	<b>(188)</b>
Actions for recourse tax receivable	466	-	466	-	-	-
<b>Total Income tax assets</b>	<b>817</b>	<b>6</b>	<b>823</b>			

(a) Include 1 recorded in Other comprehensive income for the nine-month period ended on September 30, 2017.

(b) Include (3) of temporary differences withdrawals related to the filing of the affidavit for the year 2016.

(c) Include (11) of temporary differences withdrawals related to the filing of the affidavit for the year 2016.

(d) Originated in Tuves Paraguay acquisition.

(e) Include (4) related to Currency translation adjustments on initial balances.

<u>As of December 31, 2016</u>	Income tax assets			Deferred tax liabilities		
	Telecom Argentina	Telecom USA	Total	Personal	Núcleo	Total
Allowance for doubtful accounts	86	2	88	271	16	287
Provisions	341	-	341	149	-	149
PP&E	-	1	1	-	13	13
Inventory	-	-	-	120	-	120

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Termination benefits	82	-	82	-	-	-
Deferred revenues	85	-	85	-	-	-
Pension benefits	57	-	57	-	-	-
Other deferred tax assets, net	120	-	120	-	1	1
<b>Total deferred tax assets</b>	<b>771</b>	<b>3</b>	<b>774</b>	<b>540</b>	<b>30</b>	<b>570</b>
PP&E	(477)	-	(477)	(205)	-	(205)
Intangible assets	(83)	-	(83)	(584)	-	(584)
Cash dividends from foreign companies	-	-	-	(150)	(44)	(194)
Mobile handsets financed sales	-	-	-	(84)	-	(84)
Investments	-	-	-	(4)	-	(4)
Other deferred tax liabilities, net	-	-	-	(68)	-	(68)
<b>Total deferred tax liabilities</b>	<b>(560)</b>	<b>-</b>	<b>(560)</b>	<b>(1,095)</b>	<b>(44)</b>	<b>(1,139)</b>
<b>Total deferred tax asset (liability), net</b>	<b>211</b>	<b>3</b>	<b>214</b>	<b>(555)</b>	<b>(14)</b>	<b>(569)</b>
Actions for recourse tax receivable	466	-	466			
<b>Total Income tax assets</b>	<b>677</b>	<b>3</b>	<b>680</b>			

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## z) Aging of assets and liabilities as of September 30, 2017

Date due	Cash and cash equivalents	Investments	Trade receivables	Income tax assets	Other receivables
<b>Total due</b>	-	-	1,566	-	-
<b>Not due</b>					
Fourth quarter 2017	6,197	1,333	5,055	-	760
First quarter 2018	-	337	620	-	198
Second quarter 2018	-	105	417	-	149
Third quarter 2018	-	166	166	-	105
October 2018 thru September 2019	-	373	16	-	195
October 2019 thru September 2020	-	474	-	-	99
October 2020 and thereafter	-	3,288	-	-	56
Not date due established	-	1	-	823	58
<b>Total not due</b>	<b>6,197</b>	<b>6,077</b>	<b>6,274</b>	<b>823</b>	<b>1,620</b>
<b>Total</b>	<b>6,197</b>	<b>6,077</b>	<b>7,840</b>	<b>823</b>	<b>1,620</b>
<b>Balances bearing interest</b>	5,861	6,076	1,534	-	-
<b>Total</b>	<b>6,197</b>	<b>6,077</b>	<b>7,840</b>	<b>823</b>	<b>1,620</b>
<b>Average annual interest rate (%)</b>	(a)	(b)	(c) (d)	-	-

(a) 2,221 are assets in foreign currency bearing interests between 0.27% and 0.42% and 3,640 are assets in Argentine pesos bearing interests between 19.41% and 27.28%.

(b) 358 are assets in Argentine pesos (8 bearing interests between 15% and 20.81% and 350 are US dollar linked bonds bearing interests between 1.95% and 2.40%), 5,718 are assets in foreign currency bearing interests between 3.25% and 10.88%.

(c) From due trade receivables 144 bear 50% over the Banco de la Nación Argentina 30-day interest rate paid by banks, 489 bear 50% over the Banco de la Nación Argentina notes payable discount rate 759 bear 35.90 and 100 bear 36%.

(d) From not due trade receivables 18 bear 36%, 23 bear 8.3% and 1 bear 34.2%.

Date due	Trade payables	Deferred revenues	Financial debt	Salaries and social security payables	Income tax payables	Deferred income tax liabilities	Other taxes payables	Dividends payable	Other liabilities
<b>Total due</b>	331	-	-	-	-	-	-	-	-
<b>Not due</b>									
Fourth quarter 2017	10,234	671	694	912	3	-	1,169	20	43
First quarter 2018	95	51	338	786	1	-	-	-	1
Second quarter 2018	-	49	739	289	2,486	-	-	-	43
Third quarter 2018	-	47	1,045	84	1	-	-	-	1
October 2018 thru September 2019	94	155	3,231	109	3	-	-	-	25
October 2019 thru September 2020	42	46	2,223	41	-	-	-	-	10
	33	208	3,541	30	-	-	-	-	177

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October 2020 and thereafter									
Not date due established	-	-	-	-	-	188	-	-	-
<b>Total not due</b>	<b>10,498</b>	<b>1,227</b>	<b>11,811</b>	<b>2,251</b>	<b>2,494</b>	<b>188</b>	<b>1,169</b>	<b>20</b>	<b>300</b>
<b>Total</b>	<b>10,829</b>	<b>1,227</b>	<b>11,811</b>	<b>2,251</b>	<b>2,494</b>	<b>188</b>	<b>1,169</b>	<b>20</b>	<b>300</b>
<b>Balances bearing interest</b>	<b>21</b>	<b>-</b>	<b>11,709</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>10,829</b>	<b>1,227</b>	<b>11,811</b>	<b>2,251</b>	<b>2,494</b>	<b>188</b>	<b>1,169</b>	<b>20</b>	<b>300</b>
<b>Average annual interest rate (%)</b>	<b>6%</b>	<b>-</b>	<b>(e)</b>	<b>-</b>	<b>9%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(e) 1,402 are liabilities in Argentine pesos bearing interests between 26.38% and 28.64%, 9,941 are liabilities in foreign currency bearing contractual interests between 2.20% and 5.53% and 366 are liabilities in guaraníes bearing interests between 8.75% and 9%.

aa) Foreign currency assets and liabilities

**NET POSITION IN FOREIGN CURRENCY**

**Net assets (liabilities)**

09.30.17			
Amount of foreign currency (i)	Exchange rate	Amount in local currency (ii)	
<b>Assets</b>			
US\$	501	17.210	(iii) 8,779
G	149,898	0.003	456
EURO	3	20.294	61
	<b>Total assets</b>		<b>9,296</b>
<b>Liabilities</b>			
US\$	(955)	17.310	(16,607)
G	(229,848)	0.003	(698)
EURO	(12)	20.455	(239)
	<b>Total liabilities</b>		<b>(17,544)</b>
	<b>Net liabilities</b>		<b>(8,248)</b>

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

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

(iii) Includes 346 corresponding to Government bonds valued at fair value (equivalent to US\$ 12 million).



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The Telecom Group, as of September 30, 2017, holds dollar linked investments by \$350 that reduce its net liability position in foreign currency to \$7,898 as of September 30, 2017, equivalent to approximately to US\$ 461 million. Additionally, the Group entered into several NDF contracts as of September 30, 2017 amounting to US\$ 60 million therefore, the portion of the net liability position in foreign currency not covered by these instruments amounted to US\$ 401 million as of September 30, 2017.

12.31.16			
Amount of foreign currency (i)		Exchange rate	Amount in local currency (ii)
<b>Assets</b>			
US\$	241	15.790	(iii) 4,067
G	250,865	0.003	684
EURO	7	16.625	124
	<b>Total assets</b>		<b>4,875</b>
<b>Liabilities</b>			
US\$	(859)	15.890	(13,648)
G	(311,279)	0.003	(848)
EURO	(9)	16.770	(158)
	<b>Total liabilities</b>		<b>(14,654)</b>
	<b>Net liabilities</b>		<b>(9,779)</b>

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

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

(iii) Includes 735 corresponding to Government bonds valued at fair value (equivalent to US\$ 45 million).

The Telecom Group, as of December 31, 2016, held dollar linked investments by \$73 that reduced its net liability position in foreign currency to \$9,706, equivalent to approximately US\$ 611 million. Additionally, the Group entered into several NDF contracts as of December 31, 2016 amounting to US\$ 16 million, so, the portion of the net liability position in foreign currency not covered by these instruments amounted to US\$ 595 million as of December 31, 2016.

**ab) Information on the fair value of financial instruments valued at amortized cost**

Below are disclosed the investments in Government bonds valued at amortized cost and their respective fair value as of September 30, 2017 and December 31, 2016:

Investments	As of September 30, 2017		As of December 31, 2016	
	Book value	Fair value (*)	Book value	Fair value (*)
Government bonds in foreign currency	4,105	4,167	258	264

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Provincial and municipal government bonds in foreign currency	389	389	-	-
Provincial and municipal government bonds in pesos	8	8	18	18
Government bonds (U.S. dollar linked)	281	275	-	-
Provincial and municipal government bonds (US dollar linked)	69	53	73	70
<b>Total</b>	<b>4,852</b>	<b>4,892</b>	<b>349</b>	<b>352</b>

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

In addition, for the rest of the financial instruments valued at amortized cost, it is considered that their book amounts are similar to their fair values.

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

The information required by the amendment to IFRS 7 as of September 30, 2017 and December 31, 2016 is as follows:

	As of September 30, 2017			
	Trade receivables	Other receivables (1)	Trade payables	Other liabilities (1)
Current and non-current assets (liabilities) - Gross value	9,246	382	(12,235)	(111)
Offsetting	(1,406)	(16)	1,406	16
<b>Current and non-current assets (liabilities) Book value</b>	<b>7,840</b>	<b>366</b>	<b>(10,829)</b>	<b>(95)</b>

	As of December 31, 2016			
	Trade receivables	Other receivables (1)	Trade payables	Other liabilities (1)
Current and non-current assets (liabilities) - Gross value	9,196	357	(10,542)	(97)
Offsetting	(1,411)	(22)	1,411	22
<b>Current and non-current assets (liabilities) Book value</b>	<b>7,785</b>	<b>335</b>	<b>(9,131)</b>	<b>(75)</b>

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

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<b>CONSOLIDATED INCOME STATEMENTS</b>	<b>Three-month periods ended</b>		<b>Nine-month periods</b>	
	<b>September 30,</b>		<b>ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>ad) Total revenues and other income</b>				
<b>Services</b>			<b>Profit (loss)</b>	
Voice	2,143	1,577	6,119	4,328
Internet	1,952	1,513	5,621	4,351
Data	909	731	2,595	2,133
<b>Subtotal Fixed Services</b>	<b>5,004</b>	<b>3,821</b>	<b>14,335</b>	<b>10,812</b>
<b>Outbound</b>				
Postpaid	2,158	1,696	6,282	5,033
Monthly basic charges	3,454	2,581	9,659	7,496
Prepaid	2,106	1,978	6,177	5,514
<b>Total outbound</b>	<b>7,718</b>	<b>6,255</b>	<b>22,118</b>	<b>18,043</b>
<b>Inbound</b>				
From Fixed Services CPP	240	203	776	494
From Mobile Services TLRD	386	240	1,173	674
<b>Total inbound</b>	<b>626</b>	<b>443</b>	<b>1,949</b>	<b>1,168</b>
<b>Other</b>	<b>428</b>	<b>441</b>	<b>1,197</b>	<b>1,086</b>
<b>Subtotal Personal Mobile Services</b>	<b>8,772</b>	<b>7,139</b>	<b>25,264</b>	<b>20,297</b>
<b>Outbound</b>				
Postpaid	22	14	58	44
Monthly basic charges	285	198	710	560
Prepaid	382	298	1,021	822
<b>Total outbound</b>	<b>689</b>	<b>510</b>	<b>1,789</b>	<b>1,426</b>
<b>Inbound</b>				
From Fixed Services Interconnection	1	2	5	7
From Mobile Services TLRD	36	31	96	88
<b>Total inbound</b>	<b>37</b>	<b>33</b>	<b>101</b>	<b>95</b>
<b>Other</b>	<b>54</b>	<b>94</b>	<b>157</b>	<b>244</b>
<b>Subtotal Núcleo Mobile Services</b>	<b>780</b>	<b>637</b>	<b>2,047</b>	<b>1,765</b>
<b>Total service revenues (a)</b>	<b>14,556</b>	<b>11,597</b>	<b>41,646</b>	<b>32,874</b>
<b>Equipment</b>				
Fixed Services	269	13	294	78
Personal Mobile Services	1,871	1,711	5,250	5,649
Núcleo Mobile Services	23	91	73	217
<b>Total equipment revenues (b)</b>	<b>2,163</b>	<b>1,815</b>	<b>5,617</b>	<b>5,944</b>
<b>Total revenues (a) + (b)</b>	<b>16,719</b>	<b>13,412</b>	<b>47,263</b>	<b>38,818</b>
<b>Other income</b>				
Fixed Services	17	14	49	35
Personal Mobile Services	5	(7)	12	1
<b>Total other income (c)</b>	<b>22</b>	<b>7</b>	<b>61</b>	<b>36</b>
<b>Total revenues and other income (a)+(b)+(c)</b>	<b>16,741</b>	<b>13,419</b>	<b>47,324</b>	<b>38,854</b>



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## ae) Operating costs

Operating expenses disclosed by nature of expense amounted to \$38,306 and \$33,331 for the nine-month periods ended September 30, 2017 and 2016, respectively. The main components of the operating expenses are the following:

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<b>Profit (loss)</b>			
<b><u>Employee benefit expenses and severance payments</u></b>				
Salaries	(2,277)	(1,976)	(6,397)	(5,145)
Social security expenses	(728)	(566)	(2,102)	(1,605)
Severance indemnities and termination benefits	(222)	(183)	(514)	(339)
Other employee benefits	(53)	(53)	(145)	(124)
	<b>(3,280)</b>	<b>(2,778)</b>	<b>(9,158)</b>	<b>(7,213)</b>
<b><u>Interconnection costs and other telecommunication charges</u></b>				
Fixed telephony interconnection costs	(96)	(90)	(365)	(329)
Cost of international outbound calls	(61)	(82)	(207)	(205)
Lease of circuits and use of public network	(130)	(120)	(348)	(353)
Mobile services - charges for roaming	(87)	(96)	(287)	(354)
Mobile services - charges for TLRD	(389)	(236)	(1,088)	(713)
	<b>(763)</b>	<b>(624)</b>	<b>(2,295)</b>	<b>(1,954)</b>
<b><u>Fees for services, maintenance, materials and supplies</u></b>				
Maintenance of hardware and software	(169)	(138)	(499)	(376)
Technical maintenance	(361)	(311)	(1,024)	(964)
Service connection fees for fixed lines and Internet lines	(183)	(73)	(396)	(189)
Service connection fees capitalized as SAC	6	3	10	10
Service connection fees capitalized as Intangible assets	11	12	31	31
Other maintenance costs	(198)	(126)	(480)	(367)
Obsolescence of inventories	(4)	(15)	(10)	(36)
Call center fees	(554)	(370)	(1,443)	(1,034)
Other fees for services	(328)	(214)	(896)	(618)
Compensation for Directors and Supervisory Committee members	(17)	(13)	(49)	(37)
	<b>(1,797)</b>	<b>(1,245)</b>	<b>(4,756)</b>	<b>(3,580)</b>
<b><u>Taxes and fees with the Regulatory Authority</u></b>				
Turnover tax	(891)	(702)	(2,543)	(2,054)
Taxes with the Regulatory Authority	(265)	(289)	(784)	(836)
Tax on deposits to and withdrawals from bank accounts	(157)	(142)	(440)	(401)
Municipal taxes	(130)	(98)	(365)	(288)
Other taxes	(103)	(74)	(284)	(220)
	<b>(1,546)</b>	<b>(1,305)</b>	<b>(4,416)</b>	<b>(3,799)</b>
<b><u>Commissions</u></b>				
Agent commissions	(613)	(780)	(1,953)	(2,263)
Agent commissions capitalized as SAC	216	372	731	1,046
Distribution of prepaid cards commissions	(217)	(200)	(621)	(558)
Collection, CPP and other commissions	(268)	(337)	(842)	(1,020)
	<b>(882)</b>	<b>(945)</b>	<b>(2,685)</b>	<b>(2,795)</b>
<b><u>Cost of equipment and handsets</u></b>				
Inventory balance at the beginning of the period/year	(1,299)	(2,552)	(1,332)	(2,279)
Plus:				

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Purchases	(2,600)	(1,390)	(5,401)	(4,863)
Deferred costs from SAC	21	38	58	94
Decreases from allowance for obsolescence	6	17	18	42
Mobile handsets lent to customers at no cost	6	15	22	42
Decreases not charged to material cost	-	1	-	10
Less:				
Inventory balance at period end	1,997	2,323	1,997	2,323
	<b>(1,869)</b>	<b>(1,548)</b>	<b>(4,638)</b>	<b>(4,631)</b>
<b>Advertising</b>				
Media advertising	(211)	(112)	(518)	(333)
Fairs and exhibitions	(49)	(33)	(133)	(105)
Other advertising costs	(30)	(32)	(118)	(110)
	<b>(290)</b>	<b>(177)</b>	<b>(769)</b>	<b>(548)</b>
<b>Cost of VAS</b>				
Cost of mobile VAS	(207)	(336)	(637)	(1,101)
Cost of fixed VAS	(17)	(14)	(53)	(41)
	<b>(224)</b>	<b>(350)</b>	<b>(690)</b>	<b>(1,142)</b>

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	<u>Three-month periods ended</u> <u>September 30.</u>		<u>Nine-month periods</u> <u>ended</u> <u>September 30.</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Profit (loss)</u>			
<b>Other operating costs</b>				
Transportation, freight and travel expenses	(243)	(231)	(676)	(777)
Delivery costs capitalized as SAC	19	17	53	115
Rent of buildings and cell sites	(289)	(185)	(767)	(560)
Energy, water and others	(270)	(202)	(821)	(649)
International and satellite connectivity	(62)	(49)	(183)	(161)
	<b>(845)</b>	<b>(650)</b>	<b>(2,394)</b>	<b>(2,032)</b>
<b>D&amp;A</b>				
Depreciation of PP&E	(1,267)	(1,105)	(3,702)	(3,087)
Amortization of SAC and service connection charges	(381)	(381)	(1,160)	(1,087)
Amortization of 3G/4G licenses	(80)	(96)	(244)	(289)
Amortization of other intangible assets	(13)	(9)	(27)	(22)
	<b>(1,741)</b>	<b>(1,591)</b>	<b>(5,133)</b>	<b>(4,485)</b>
<b>Disposal and impairment of PP&amp;E</b>				
Impairment of PP&E Fixed Services	10	(5)	(16)	4
Impairment of PP&E Mobile Services	(1)	(54)	(55)	(199)
Disposal of PP&E Fixed Services	-	(1)	(13)	(1)
Disposal of PP&E Mobile Services	(3)	7	(11)	(6)
	<b>6</b>	<b>(53)</b>	<b>(95)</b>	<b>(202)</b>

The operating expenses disclosed by function are as follows:

Operating costs	(8,378)	(7,024)	(23,275)	(20,467)
Administration costs	(843)	(777)	(2,366)	(1,907)
Commercialization costs	(4,261)	(3,738)	(12,213)	(10,649)
Other expenses provisions	(98)	(25)	(357)	(106)
Disposal and impairment of PP&E	6	(53)	(95)	(202)
	<b>(13,574)</b>	<b>(11,617)</b>	<b>(38,306)</b>	<b>(33,331)</b>

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

Gains on investments	302	18	616	224
Gains on other short-term investments	19	4	92	30
Interest on receivables	207	101	546	252
Tuves Paraguay acquisition rights	-	18	-	7
Foreign currency exchange gains	213	(12)	498	88
Other	16	-	21	-
<b>Total finance income</b>	<b>757</b>	<b>129</b>	<b>1,773</b>	<b>601</b>

**Finance expenses**

Interest on loans	(209)	(499)	(659)	(1,200)
Interest on salaries and social security payable, other taxes payables and accounts payable	(12)	(11)	(38)	(25)
Interest on provisions	(73)	(49)	(237)	(166)
Present value effect of salaries and social security payable and other taxes payables	(1)	(15)	(2)	(17)
Foreign currency exchange losses (*)	(466)	(177)	(1,053)	(836)
Pension benefits financial cost	(12)	(9)	(35)	(28)
Tuves Paraguay acquisition rights	-	-	(21)	-
Other	-	(5)	(4)	(11)
<b>Total finance expenses</b>	<b>(773)</b>	<b>(765)</b>	<b>(2,049)</b>	<b>(2,283)</b>
	<b>(16)</b>	<b>(636)</b>	<b>(276)</b>	<b>(1,682)</b>

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(\*) Net of 14 and 4 of gains generated by the NDF in the nine-month periods ended September 30, 2017 and 2016, respectively. Net of 8 and (21) of foreign currency exchange gains (losses) generated by the NDF in the three-month periods ended September 30, 2017 and 2016, respectively.

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**ag) Income taxes**

Income tax expense for the nine-month periods ended September 30, 2017 and 2016 consists of the following:

	<u>The Company</u>	<u>Telecom USA</u>	<u>Profit (loss)</u>		<u>Total</u>
			<u>Personal</u>	<u>Núcleo</u>	
Current tax expense	(573)	(11)	(2,995)	(27)	<b>(3,606)</b>
Deferred tax benefit (expense)	143	3	419	(6)	<b>559</b>
<b>Income tax expense as of September 30, 2017</b>	<b>(430)</b>	<b>(8)</b>	<b>(2,576)</b>	<b>(33)</b>	<b>(3,047)</b>
Current tax expense	(300)	(8)	(1,209)	(22)	<b>(1,539)</b>
Deferred tax benefit (expense)	65	2	127	(1)	<b>193</b>
<b>Income tax expense as of September 30, 2016</b>	<b>(235)</b>	<b>(6)</b>	<b>(1,082)</b>	<b>(23)</b>	<b>(1,346)</b>

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

	<u>In Argentina</u>	<u>Abroad</u>	<u>Total</u>
Pre-tax income on a separate return basis	13,446	235	<b>13,681</b>
Non - taxable items Income from investments	(4,935)	(4)	<b>(4,939)</b>
Non - taxable items Other	1	18	<b>19</b>
<b>Subtotal</b>	<b>8,512</b>	<b>249</b>	<b>8,761</b>
Weighted statutory income tax rate	35%	(*)	
<b>Income tax expense at weighted statutory tax rate</b>	<b>(2,980)</b>	<b>(41)</b>	<b>(3,021)</b>
Income tax on dividends from foreign companies Núcleo	(26)	-	<b>(26)</b>
Other changes in tax assets and liabilities	-	-	-
<b>Income tax expense as of September 30, 2017</b>	<b>(3,006)</b>	<b>(41)</b>	<b>(3,047)</b>
Pre-tax income on a separate return basis (*)	5,801	114	<b>5,915</b>
Non - taxable items Income from investments	(2,072)	9	<b>(2,063)</b>
Non - taxable items Other	6	46	<b>52</b>
<b>Subtotal</b>	<b>3,735</b>	<b>169</b>	<b>3,904</b>
Weighted statutory income tax rate	35%	(*)	
<b>Income tax expense at weighted statutory tax rate</b>	<b>(1,307)</b>	<b>(29)</b>	<b>(1,336)</b>
Income tax on dividends from foreign companies Núcleo	(12)	-	<b>(12)</b>
Other changes in tax assets and liabilities	2	-	<b>2</b>
<b>Income tax expense as of September 30, 2016</b>	<b>(1,317)</b>	<b>(29)</b>	<b>(1,346)</b>

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

**NOTE 3 SUPPLEMENTARY CASH FLOW INFORMATION**

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For purposes of the statements of cash flows, cash and cash equivalents comprise cash, bank current accounts and short-term highly liquid investments (with a maturity of three months or less from the date of acquisition) and bank overdrafts, which integrate the Telecom Group's cash management and whose balances fluctuate according to the Group's operating needs. Bank overdrafts are disclosed in the statement of financial position as current financial debts. During the nine-month periods ended September 30, 2017 and 2016 bank overdrafts have been part of the permanent short-term financing structure of the Telecom Group, so, net funds requests under that method (with maturities less than three months) are included in financing activities.

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

	<u>Nine-month periods</u> <u>ended September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>Collections</b>		
Collections from customers	52,648	40,195
Interests from customers	548	252
Interests from time deposits and gains on other short-term investments	415	30
Mobile operators collections	692	376
	<b>Subtotal</b>	<b>40,853</b>

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	<u>Nine-month periods ended September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>Payments</b>		
For the acquisition of goods and services and others	(13,802)	(12,506)
For the acquisition of inventories	(3,325)	(4,757)
Salaries and social security payables and severance payments	(8,345)	(6,751)
CPP payments	(581)	(270)
Income taxes (includes tax returns and payments in advance)	(1,840)	(1,280)
Other taxes and taxes and fees with the Regulatory Authority	(10,258)	(7,859)
Foreign currency exchange differences related to the payments to suppliers	(584)	(1,071)
<i>Inventory suppliers</i>	(198)	(269)
<i>PP&amp;E suppliers</i>	(310)	(1,189)
<i>Other suppliers</i>	(71)	(107)
<i>NDF liquidation</i>	(5)	494
<b>Subtotal</b>	<b>(38,735)</b>	<b>(34,494)</b>
<b>Net cash flow provided by operating activities</b>	<b>15,568</b>	<b>6,359</b>

Changes in assets/liabilities components consist on the following:

	<u>Nine-month periods ended September 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>Net decrease (increase) in assets</b>		
Trade receivables	(1,095)	(2,842)
Other receivables	(179)	219
Inventories	(701)	(101)
	<b>(1,975)</b>	<b>(2,724)</b>
<b>Net increase (decrease) in liabilities</b>		
Trade payables	1,967	(707)
Deferred revenues	368	(48)
Salaries and social security payables	454	353
Other taxes payables	14	(227)
Other liabilities	54	42
Provisions	(247)	(92)
	<b>2,610</b>	<b>(679)</b>

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

Compensation of capitalized trade receivables on the basis of Tuves Paraguay acquisition	149	-
SAC acquisitions offset with trade receivables	233	229
VAT and internal taxes offset with income tax payments	-	54
PP&E disposal receivables offset with trade receivables	-	25

**b) Most significant investing activities:**

PP&E acquisitions include:

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PP&E additions (Note 2.i)	(7,276)	(7,296)
Plus:		
Payments of trade payables originated in prior periods acquisitions	(3,306)	(1,426)
Less:		
Acquisition of PP&E through incurrence of trade payables	2,735	1,826
Mobile handsets lent to customers at no cost (i)	22	42
Asset retirement obligations	-	46
	<b>(7,825)</b>	<b>(6,808)</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)	(893)	(1,296)
Plus:		
Payments of trade payables originated in prior periods acquisitions	(103)	(199)
SAC acquisitions offset with trade receivables	(233)	(229)
Less:		
Acquisition of intangible assets through incurrence of trade payables	506	407
	<b>(723)</b>	<b>(1,317)</b>



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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:

	<b><u>Nine-month periods</u></b>	
	<b><u>ended September 30,</u></b>	<b><u>2016</u></b>
	<b><u>2017</u></b>	<b><u>2016</u></b>
Other short-term investments which underlying maturity exceeds 90 days and time deposits maturing over 90 days	(526)	-
Government bonds acquisition	(2,900)	-
Government bonds sale	-	1,051
Government bonds collection	155	88
	<b>(3,271)</b>	<b>1,139</b>

**c) Financing activities components:**

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

Bank overdrafts Personal	-	3,774
Bank overdrafts Telecom Argentina	520	16
Bank overdrafts Núcleo	-	343
Bank loans Personal	1,742	-
Bank loans Núcleo	-	345
<b>Total financial debt proceeds</b>	<b>2,262</b>	<b>4,478</b>
Bank overdrafts Personal	(1,617)	(600)
Bank overdrafts Núcleo	-	(438)
Notes - Personal	(565)	-
Bank loans Personal	(607)	-
Bank loans Núcleo	(230)	(193)
<b>Total payment of financial debt</b>	<b>(3,019)</b>	<b>(1,231)</b>
Bank overdrafts Personal	(15)	(813)
Bank overdrafts Telecom Argentina	(7)	(116)
Interests from Notes - Personal	(270)	(158)
NDF (Personal)	(32)	-
Interests on bank loans Personal	(391)	(56)
Interests on bank loans Núcleo	(38)	(46)
<b>Total payment of interest and related costs</b>	<b>(753)</b>	<b>(1,189)</b>

**Cash dividends from Telecom Argentina****Fiscal year 2016**

The Company's Board of Directors Meeting held on April 29, 2016, resolved to allocate \$2,000 of the Reserve for future cash dividends to a cash dividend distribution in two installments: \$700 that was available to shareholders as from May 13, 2016 and \$1,300 that was available to shareholders on August 26, 2016.

**Cash dividends from Núcleo**

**Fiscal year 2017**

The Ordinary Shareholders Meeting of Núcleo held on March 28, 2017, approved the distribution of cash dividends for an amount of \$109 (that correspond to 40,000 million of Guaraníes translated to Argentine pesos at the exchange rate of the approval day), with the following schedule of payments:

<b>Month of dividends payment</b>	<b>Dividends corresponding to Personal</b>	<b>Dividends corresponding to non-controlling shareholders</b>	<b>Total</b>
May 2017 (*)	37	17	54
October 2017 (**)	37	18	55
<b>Total</b>	<b>74</b>	<b>35</b>	<b>109</b>

(\*) As of the payment date, the amounts were 39 and 18, respectively.

(\*\*) Second installment was paid on October 10, 2017.

Table of Contents**d) Additional information required by IAS 7**

Reconciliation between the opening and closing balances of liabilities generated by financing activities is disclosed below as required by IAS 7.

	<u>Balances as of December 31, 2016</u>	<u>Transfers</u>	<u>Cash Flows</u>	<u>Accrued interests</u>	<u>Exchange differences and other comprehensive income</u>	<u>Balances as of September 30, 2017</u>
Bank overdrafts Personal	1,666	-	(1,617)	-	-	49
Bank overdrafts Telecom Argentina	41	-	520	-	-	561
Bank loans principal (Personal)	620	-	(620)	-	-	-
Bank loans principal (Núcleo)	219	100	(230)	-	18	107
Notes principal (Personal)	566	717	(565)	-	-	718
NDF	2	-	(32)	22	34	26
Accrued interests	152	1,271	(721)	637	16	1,355
<b>Total current financial debt (Note 2.m)</b>	<b>3,266</b>	<b>2,088</b>	<b>(3,265)</b>	<b>659</b>	<b>68</b>	<b>2,816</b>
Notes principal (Personal)	2,084	(1,460)	-	-	117	741
Bank loans IFC Loan - principal (Personal)	6,234	(528)	1,755	-	502	7,963
Bank loans principal (Núcleo)	328	(100)	-	-	30	258
NDF	-	-	-	-	33	33
<b>Total non-current financial debt (Note 2.u)</b>	<b>8,646</b>	<b>(2,088)</b>	<b>1,755</b>	<b>-</b>	<b>682</b>	<b>8,995</b>
<b>Total financial debt</b>	<b>11,912</b>	<b>-</b>	<b>(a) (1,510)</b>	<b>659</b>	<b>750</b>	<b>11,811</b>

(a) Correspond to \$2,262 of debt proceeds, \$3,019 of principal payments and \$753 of interest payments.

**NOTE 4 SEGMENT INFORMATION**

Until September 30, 2016, the Telecom Group carried out its activities through six companies grouped in operating segments. As a consequence of the acquisition of an equity interest in Tuves Paraguay on June 30, 2017 (see Note 12.j), since July 2017, the Telecom Group carries out its activities through seven companies as described in Note 1.a).

Segment information for the nine-month period ended September 30, 2017, includes Tuves Paraguay's operations for 3Q17; which were included in the Núcleo Mobile Services .

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

Segment financial information for the nine-month periods ended September 30, 2017 and 2016 was as follows:

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For the nine-month period ended September 30, 2017

o **Income statement**

	Fixed	Mobile Services			Eliminations	Total
	Services	Personal	Núcleo (*)	Subtotal		
<b>Total revenues and other income (1)</b>	<b>16,507</b>	<b>30,782</b>	<b>2,125</b>	<b>32,907</b>	<b>(2,090)</b>	<b>47,324</b>
Employee benefit expenses and severance payments	(6,869)	(2,127)	(162)	(2,289)	-	(9,158)
Interconnection costs and other telecommunication charges	(883)	(2,585)	(158)	(2,743)	1,331	(2,295)
Fees for services, maintenance, materials and supplies	(2,503)	(2,545)	(204)	(2,749)	496	(4,756)
Taxes and fees with the Regulatory Authority	(1,076)	(3,256)	(84)	(3,340)	-	(4,416)
Commissions	(303)	(2,209)	(246)	(2,455)	73	(2,685)
Cost of equipment and handsets	(233)	(4,319)	(86)	(4,405)	-	(4,638)
Advertising	(138)	(552)	(79)	(631)	-	(769)
Cost of VAS	(53)	(497)	(140)	(637)	-	(690)
Provisions	(87)	(269)	(1)	(270)	-	(357)
Bad debt expenses	(151)	(704)	(65)	(769)	-	(920)
Other operating expenses	(1,182)	(1,268)	(134)	(1,402)	190	(2,394)
<b>Operating income before D&amp;A</b>	<b>3,029</b>	<b>10,451</b>	<b>766</b>	<b>11,217</b>	-	<b>14,246</b>
Depreciation of PP&E	(1,506)	(1,715)	(481)	(2,196)	-	(3,702)
Amortization of intangible assets	(128)	(1,237)	(66)	(1,303)	-	(1,431)
Disposal and impairment of PP&E	(29)	(66)	-	(66)	-	(95)
<b>Operating income</b>	<b>1,366</b>	<b>7,433</b>	<b>219</b>	<b>7,652</b>	-	<b>9,018</b>
Financial results, net	(112)	(148)	(16)	(164)	-	(276)
<b>Income before income tax expense</b>	<b>1,254</b>	<b>7,285</b>	<b>203</b>	<b>7,488</b>	-	<b>8,742</b>
Income tax expense	(438)	(2,576)	(33)	(2,609)	-	(3,047)
<b>Net income</b>	<b>816</b>	<b>4,709</b>	<b>170</b>	<b>4,879</b>	-	<b>5,695</b>
<b>Net income attributable to Telecom Argentina</b>	<b>816</b>	<b>4,709</b>	<b>116</b>	<b>4,825</b>	-	<b>5,641</b>
<b>Net income attributable to non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>54</b>	-	<b>54</b>
	<b>816</b>	<b>4,709</b>	<b>170</b>	<b>4,879</b>	-	<b>5,695</b>

(\*) Includes non-material operations of Personal Envíos (Revenues 28, Operating income before D&A 0, Operating loss (2) and Net Loss (2)). It also includes non-material operations of Tuves Paraguay (Revenues 65, Operating income before D&A 22, Operating income 11, Net Income 9 and the effect of the reversal of the increased value recognized at the moment of the acquisition of Tuves Paraguay. These operations are net of intersegment eliminations.

(1)

Service revenues	14,335	25,264	2,047	<b>27,311</b>	-	<b>41,646</b>
Equipment revenues	294	5,250	73	<b>5,323</b>	-	<b>5,617</b>
Other income	49	12	-	<b>12</b>	-	<b>61</b>
<b>Subtotal third party revenues</b>	<b>14,678</b>	<b>30,526</b>	<b>2,120</b>	<b>32,646</b>	-	<b>47,324</b>
Intersegment revenues	1,829	256	5	<b>261</b>	(2,090)	-
<b>Total revenues and other income</b>	<b>16,507</b>	<b>30,782</b>	<b>2,125</b>	<b>32,907</b>	<b>(2,090)</b>	<b>47,324</b>

o **Statement of financial position information**

<b>PP&amp;E</b>	13,947	10,062	2,324	<b>12,386</b>	-	<b>26,333</b>
<b>Intangible assets, net</b>	375	6,618	202	<b>6,820</b>	(1)	<b>7,194</b>
Capital expenditures on PP&E (a)	3,120	2,376	249	<b>2,625</b>	-	<b>5,745</b>
Capital expenditures on intangible assets (b)	86	769	38	<b>807</b>	-	<b>893</b>
<b>Total capital expenditures in PP&amp;E and intangible assets (a)+ (b)</b>	<b>3,206</b>	<b>3,145</b>	<b>287</b>	<b>3,432</b>	-	<b>6,638</b>
<b>Total additions on PP&amp;E and intangible assets</b>	<b>4,721</b>	<b>3,155</b>	<b>293</b>	<b>3,448</b>	-	<b>8,169</b>
<b>Net financial asset (debt)</b>	66	661	(224)	<b>437</b>	-	<b>503</b>

o **Geographic information**

	Total revenues and other income		Total non-current assets
	Breakdown by location of operations	Breakdown by location of the Group's customers	Breakdown by location of operations
<b>Argentina</b>	44,981	44,761	36,285
<b>Abroad</b>	2,343	2,563	2,625
<b>Total</b>	<b>47,324</b>	<b>47,324</b>	<b>38,910</b>

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For the nine-month period ended September 30, 2016

o **Income statement**

	Fixed	Mobile Services		Eliminations	Total	
	Services	Personal	Núcleo (*)			Subtotal
<b>Total revenues and other income (1)</b>	<b>12,347</b>	<b>26,059</b>	<b>1,987</b>	<b>28,046</b>	<b>(1,539)</b>	<b>38,854</b>
Employee benefit expenses and severance payments	(5,335)	(1,727)	(151)	(1,878)	-	(7,213)
Interconnection costs and other telecommunication charges	(712)	(2,033)	(168)	(2,201)	959	(1,954)
Fees for services, maintenance, materials and supplies	(1,657)	(2,141)	(159)	(2,300)	377	(3,580)
Taxes and fees with the Regulatory Authority	(824)	(2,914)	(61)	(2,975)	-	(3,799)
Commissions	(241)	(2,375)	(217)	(2,592)	38	(2,795)
Cost of equipment and handsets	(126)	(4,252)	(253)	(4,505)	-	(4,631)
Advertising	(61)	(406)	(81)	(487)	-	(548)
Cost of VAS	(41)	(1,009)	(92)	(1,101)	-	(1,142)
Provisions	(39)	(67)	-	(67)	-	(106)
Bad debt expenses	(98)	(662)	(84)	(746)	-	(844)
Other operating expenses	(1,008)	(1,076)	(113)	(1,189)	165	(2,032)
<b>Operating income before D&amp;A</b>	<b>2,205</b>	<b>7,397</b>	<b>608</b>	<b>8,005</b>	-	<b>10,210</b>
Depreciation of PP&E	(1,220)	(1,442)	(425)	(1,867)	-	(3,087)
Amortization of intangible assets	(159)	(1,160)	(79)	(1,239)	-	(1,398)
Disposal and impairment of PP&E	3	(206)	1	(205)	-	(202)
<b>Operating income</b>	<b>829</b>	<b>4,589</b>	<b>105</b>	<b>4,694</b>	-	<b>5,523</b>
Financial results, net	(142)	(1,531)	(9)	(1,540)	-	(1,682)
<b>Income before income tax expense</b>	<b>687</b>	<b>3,058</b>	<b>96</b>	<b>3,154</b>	-	<b>3,841</b>
Income tax expense	(241)	(1,082)	(23)	(1,105)	-	(1,346)
<b>Net income</b>	<b>446</b>	<b>1,976</b>	<b>73</b>	<b>2,049</b>	-	<b>2,495</b>

<b>Net income attributable to Telecom Argentina (Controlling Company)</b>	446	1,976	49	2,025	-	2,471
<b>Net income attributable to non-controlling interest</b>	-	-	24	24	-	24
	446	1,976	73	2,049	-	2,495

(\*) Includes non-material operations of Personal Envíos, (Revenues 16, Operating loss before D&amp;A (7), Operating loss (9) and Net loss (9)).

(1)

Service revenues	10,812	20,297	1,765	22,062	-	32,874
Equipment revenues	78	5,649	217	5,866	-	5,944
Other income	35	1	-	1	-	36
<b>Subtotal third party revenues</b>	<b>10,925</b>	<b>25,947</b>	<b>1,982</b>	<b>27,929</b>	-	<b>38,854</b>
Intersegment revenues	1,422	112	5	117	(1,539)	-
<b>Total revenues and other income</b>	<b>12,347</b>	<b>26,059</b>	<b>1,987</b>	<b>28,046</b>	<b>(1,539)</b>	<b>38,854</b>

o **Statement of financial position information**

<b>PP&amp;E</b>	10,860	8,951	2,182	<b>11,133</b>	-	<b>21,993</b>
<b>Intangible assets, net</b>	426	7,066	85	<b>7,151</b>	(1)	<b>7,576</b>
Capital expenditures on PP&E (a)	2,518	3,469	416	<b>3,885</b>	-	<b>6,403</b>
Capital expenditures on other intangible assets (b)	142	1,095	59	<b>1,154</b>	-	<b>1,296</b>
<b>Total capital expenditures in PP&amp;E and intangible assets (a)+ (b)</b>	<b>2,660</b>	<b>4,564</b>	<b>475</b>	<b>5,039</b>	-	<b>7,699</b>
<b>Total additions on PP&amp;E and intangible assets</b>	<b>3,269</b>	<b>4,845</b>	<b>478</b>	<b>5,323</b>	-	<b>8,592</b>
<b>Net financial asset (debt)</b>	363	(6,928)	(592)	<b>(7,520)</b>	-	<b>(7,157)</b>

o **Geographic information**

	Total revenues and other income		Total non-current assets
	Breakdown by location of operations	Breakdown by location of the Group's customers	Breakdown by location of operations
<b>Argentina</b>	36,672	36,323	28,012
<b>Abroad</b>	2,182	2,531	2,585
<b>Total</b>	<b>38,854</b>	<b>38,854</b>	<b>30,597</b>



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**NOTE 5 BALANCES AND TRANSACTIONS WITH COMPANIES UNDER SECT. 33 OF LAW No. 19,550 AND RELATED PARTIES**

**a) Controlling group**

As of September 30, 2017, Nortel, residing in A. Moreau de Justo 50 - 13th floor Ciudad Autónoma de Buenos Aires, holds 54.74% stake in the Company, meaning that it exercises control of the Company in the terms of Section 33 of Law No. 19,550. Nortel owns all of the Class A Preferred shares (51% of total shares of the Company) and 7.64% of the Class B Preferred shares (3.74% of total shares of the Company).

As a result of the Company's Treasury Shares Acquisition Process described in Note 7.b), as of September 30, 2017, Nortel's equity interest in Telecom Argentina amounts to 55.60% of the outstanding shares. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders Meetings.

All shares of common stock of Nortel belong to Sofora. As of September 30, 2017 these shares represent 78.38% of Nortel's capital stock.

Sofora's capital stock consists of common stock shares, with a par value of \$1 Argentine peso each and one vote per share. As of September 30, 2017, Sofora's total shares are held by Fintech, as a result of the total amortization of the Sofora's shares held by WAI during the nine-month period ended September 30, 2017 (see Note 10.1).

Additionally, Fintech holds 58,173,522 Telecom Argentina's Class B shares, which represent 5.91% of Telecom Argentina's total capital stock.

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

In connection with the Shareholders Agreement entered into by the Telecom Italia Group and WAI, through which Fintech acquired all the rights and obligations of the Telecom Italia Group, it was no longer in effect with respect to: i) the political rights therein provided, on May 23, 2017, when 17% of Sofora's shares were amortized; and (ii) the rest of its provisions, on June 22, 2017, when 15% of Sofora's shares were amortized (see Note 10.1).

**b) Related parties**

For the purposes of these consolidated financial statements, related parties are those individuals or legal entities which are related (in terms of IAS 24) to Fintech, ABC Telecomunicaciones S.A. (non-controlling shareholder of Núcleo) and TU VES S.A. Chile (non-controlling shareholder of Tuves Paraguay), except Nortel and companies under sect. 33 of the LGS.

For the periods presented, the Telecom Group has not conducted any transactions with Key Managers and/or persons related to them, except the mentioned in e) below.

Table of Contentsc) **Balances with companies under sect. 33 of Law No. 19,550 and related parties**• **Companies under Section 33 Law No. 19,550**

	<u>Type of company</u>	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>CURRENT ASSETS</b>			
<b>Other receivables</b>			
Nortel	Parent company	4	-
Sofora	Parent company	1	-
		<b>5</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>			
<b>Trade payables</b>			
Sofora	Parent company	2	-
		<b>2</b>	<b>-</b>
<b><u>Related parties</u></b>			
<b>CURRENT ASSETS</b>			
<b>Cash and cash equivalents</b>			
Banco Atlas S.A. (a)		1	2
		<b>1</b>	<b>2</b>
<b>Trade receivables</b>			
Editorial Azeta S.A. (a)		-	1
		<b>-</b>	<b>1</b>
<b>CURRENT LIABILITIES</b>			
<b>Trade payables</b>			
Experta ART S.A. (b)		-	16
Haras El Capricho S.A. (b)		-	1
Telteco S.A. (c)		-	4
		<b>-</b>	<b>21</b>
<b>Financial debt Notes (Current and Non-Current)</b>			
La Estrella Sociedad Anónima de Seguros de Retiro S.A. (b)		-	172
Experta ART S.A. (b)		-	151
		<b>-</b>	<b>323</b>
<b>Dividend payables</b>			
ABC Telecomunicaciones S.A.		20	-
		<b>20</b>	<b>-</b>

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

(b) Such companies relate to W de Argentina Inversiones S.A. until May 23, 2017.

(c) Such company relates to a member of the Board of Directors appointed by W de Argentina Inversiones S.A. until May 23, 2017.

d) **Transactions with related parties**

Transaction description	Nine-month periods ended September 30.		
	2017	2016	
	Profit (loss)		
<b>Services rendered</b>			
Editorial Azeta S.A. (a)	Postpaid Retail	3	2
Banco Atlas S.A. (a)	Postpaid Retail	1	-
Penta S.A. (a)	Postpaid Retail	1	-
<b>Total services rendered</b>		<b>5</b>	<b>2</b>
<b>Services received</b>			
Editorial Azeta S.A. (a)	Advertising	(2)	(3)
Penta S.A. (a)	Rental	(1)	-
<b>Total services received</b>		<b>(3)</b>	<b>(3)</b>

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

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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.

In connection with the change of control explained, on March 8, 2016, Fintech acquired 51% of Sofora s shares from the Telecom Italia Group. As a result, since January 1, 2016 until such date (in which the Telecom Italia Group ceased to be a related party of the Telecom Group), the transactions carried out with the Group amounted to \$111 for services rendered, \$72 for services received and \$18 for purchase of PP&E. It should be mentioned that no transactions with related parties of Fintech were identified since March 8, 2016 according to IAS 24.

In addition, with the first tranche amortization of Sofora s ordinary shares owned by WAI (see Note 10.1 to these consolidated financial statements), as of May 23, 2017 WAI ceased to be a related party of the Telecom Group. The operations carried out with the aforementioned Group since January 1, 2017 until such date amounted to \$7 for services rendered, \$72 for services received and \$34 for financial costs related to loans, while operations carried out in the nine-month period ended September 30, 2016 amounted to \$3 for services rendered, \$107 for services received, \$39 for financial costs related to loans and \$8 for purchase of PP&E.

**e) Key Managers**

Compensation for the Key Managers, including social security contribution, amounted to \$125 and \$141 for the nine-month periods ended September 30, 2017 and 2016, respectively, and was recorded as an expense under the item line Employee benefit expenses and severance payments .

The total remuneration expense is comprised as follows:

	<u>Three-month periods ended</u>		<u>Nine-month periods</u>	
	<u>September 30,</u>		<u>ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Salaries (*)	18	13	54	36
Variable compensation (*)	13	11	37	24
Social security contributions	9	6	26	18
Hiring bonuses	-	-	-	5
Termination benefits	-	24	8	58
	<b>40</b>	<b>54</b>	<b>125</b>	<b>141</b>

(\*) Gross compensation. Social security contributions and income tax withholdings that are deducted from the gross compensation are in charge of the employee.

As of September 30, 2017, \$48 remained unpaid.

As of September 30, 2017 and 2016, the Telecom Group has recorded a provision of \$31 and \$21, respectively, for the fees of its Board of Directors members. Additionally, a member of the Board of Directors (included in the Company's payroll) has performed technical and administrative tasks for \$22, recorded within Salaries and Social security expenses in the Consolidated Income Statements for the nine-month period ended September 30, 2017.

The members and alternate members of the Board of Directors do not hold executive positions in the Company or Company's subsidiaries.

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

The Telecom Group has entered into various purchase orders amounting in the aggregate to approximately \$9,859 as of September 30, 2017 (of which \$4,023 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, 2017, the Telecom Group has recorded provisions in an aggregate amount of \$2,053 (\$56 for regulatory contingencies deducted from assets and \$1,997 included under provisions) to cover potential losses under these claims 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, 2017, these restricted funds totaled \$89 (included under Other receivables item line in the consolidated statement of financial position).

Provisions consist of the following:

	Balances as of December 31, 2016	Additions			Decreases		Balances as of September 30, 2017
		Capital	Interest (i)	Reclassifications	Classified to liability	Payments	
<b>Current</b>							
Provision for civil and commercial proceedings	109	30	-	52	-	(23)	168
Provision for labor claims	91	-	-	187	-	(191)	87
Provision for regulatory, tax and other matters claims	71	1	-	88	-	(33)	127
<b>Total current provisions</b>	<b>271</b>	<b>31</b>	<b>-</b>	<b>327</b>	<b>-</b>	<b>(247)</b>	<b>382</b>
<b>Non-current</b>							
Provision for civil and commercial proceedings	261	80	36	(52)	-	-	325
Provision for labor claims	377	215	117	(187)	-	-	522
Provision for regulatory, tax and other matters claims	416	58	27	(88)	-	-	413
Asset retirement obligations	298	-	57	-	-	-	355

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<b>Total non-current provisions</b>	<b>1,352</b>	<b>353</b>	<b>237</b>	<b>(327)</b>	<b>-</b>	<b>-</b>	<b>1,615</b>
<b>Total provisions</b>	<b>1,623</b>	<b>(ii) 384</b>	<b>237</b>	<b>-</b>	<b>-</b>	<b>(247)</b>	<b>1,997</b>

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

(ii) 357 included in Provisions, 1 in (currency translation adjustment) and 26 are relating to the acquisition of Tuves Paraguay.

	Balances as of December 31, 2015	Additions			Decreases		Balances as of September 30, 2016
		Capital	Interest (iii)	Reclassifications	Classified to liability	Payments	
<b>Current</b>							
Provision for civil and commercial proceedings	112	-	-	10	(14)	(16)	92
Provision for labor claims	51	-	-	78	-	(48)	81
Provision for regulatory, tax and other matters claims	44	-	-	59	-	(26)	77
<b>Total current provisions</b>	<b>207</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>(14)</b>	<b>(90)</b>	<b>250</b>
<b>Non-current</b>							
Provision for civil and commercial proceedings	240	3	34	(10)	-	-	267
Provision for labor claims	329	75	60	(78)	-	-	386
Provision for regulatory, tax and other matters claims	407	28	27	(59)	-	-	403
Asset retirement obligations	189	46	45	-	-	(2)	278
<b>Total non-current provisions</b>	<b>1,165</b>	<b>152</b>	<b>166</b>	<b>(147)</b>	<b>-</b>	<b>(2)</b>	<b>1,334</b>
<b>Total provisions</b>	<b>1,372</b>	<b>(iv) 152</b>	<b>166</b>	<b>-</b>	<b>(14)</b>	<b>(92)</b>	<b>1,584</b>

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

(iv) 106 included in Provisions and 46 included in CAPEX.



Table of Contents**NOTE 7 EQUITY**

Equity includes:

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Equity attributable to Telecom Argentina (Controlling Company)	25,063	19,336
Equity attributable to non-controlling interest	686	542
<b>Total equity (*)</b>	<b>25,749</b>	<b>19,878</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, of which 969,159,605 are entitled to vote, as 15,221,373 are treasury shares. The capital stock is fully integrated and registered with the Public Registry of Commerce.

The Company's shares are authorized by the CNV and the SEC for public trading in the BYMA and the NYSE. Taking into account the particular transfer conditions of the Class A and Class C shares, only Class B shares are available for public trading in the BYMA and the NYSE.

Telecom Argentina's breakdown of capital stock as of September 30, 2017 is as following:

**Registered, subscribed and authorized for public offering**

Shares	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	466,890,558	15,221,373	482,111,931
Class C	234,748	-	234,748
<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 foregoing, on May 22, 2013, Telecom Argentina's Board of Directors approved a Treasury Shares Acquisition Program of Telecom Argentina in the market in Argentine pesos (the Treasury Shares Acquisition Program) for the purpose of avoiding any possible damages to Telecom Argentina and its shareholders derived from fluctuations and unbalances between the shares' price and Telecom Argentina's solvency, for the following maximum amount and with the following deadline:

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

According to the offer made on November 7, 2013 by Fintech Telecom LLC for the acquisition of the controlling interest of the Telecom Italia Group in Telecom Argentina, 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, Section 13 and concurring) with respect to the continuation of the Treasury Shares Acquisition Program.

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

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

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Pursuant to Section 67 of Law No. 26,831, the Company must sell its treasury shares within three years of the date of acquisition. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders Meetings. No restrictions apply to Retained Earnings as a result of the creation of a specific reserve for such purposes named Voluntary Reserve for Capital Investments, which, as of September 30, 2017 amounted to \$461.

On April 29, 2016, the Ordinary and Extraordinary Shareholders Meeting approved an additional 3-year extension for the disposal due date of treasury shares provided by Section 67 of Law No. 26,831.

As of September 30, 2016, the Company owns 15,221,373 treasury shares, representing 1.55% of its total capital. The acquisition cost of these shares in the market amounted to \$461.

**NOTE 8 RESTRICTIONS ON DISTRIBUTION OF PROFITS**

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

**NOTE 9 SELECTED CONSOLIDATED QUARTERLY INFORMATION (UNAUDITED INFORMATION)**

Quarter	Revenues	Operating income before D&A	Operating income	Financial results, net	Net income	Net income attributable to Telecom Argentina
<b>Fiscal year 2016:</b>						
March 31,	12,455	3,402	1,997	(557)	935	925
June 30,	12,951	3,362	1,724	(489)	802	800
September 30,	13,412	3,446	1,802	(636)	758	746
<b>Total 9M2016</b>	<b>38,818</b>	<b>10,210</b>	<b>5,523</b>	<b>(1,682)</b>	<b>2,495</b>	<b>2,471</b>
December 31,	14,422	4,214	2,320	(562)	1,510	1,504
<b>Total 2016</b>	<b>53,240</b>	<b>14,424</b>	<b>7,843</b>	<b>(2,244)</b>	<b>4,005</b>	<b>3,975</b>
<b>Fiscal year 2017:</b>						
March 31,	14,726	4,638	2,893	124	1,966	1,955
June 30,	15,818	4,706	2,958	(384)	1,673	1,660
September 30,	16,719	4,902	3,167	(16)	2,056	2,026
<b>Total 9M2017</b>	<b>47,263</b>	<b>14,246</b>	<b>9,018</b>	<b>(276)</b>	<b>5,695</b>	<b>5,641</b>

**NOTE 10 CORPORATE REORGANIZATION OF THE TELECOM GROUP AND ITS CONTROLLING COMPANIES**

**1) Amortization of Sofora shares**

In March 2017, WAI offered to Sofora and Sofora accepted, with the consent of Fintech (the controlling shareholder of Sofora), an offer to amortize in two tranches all of the 140,704,640 shares issued by Sofora and owned by WAI, according to the provisions of Sections 223 and 228 of the LGS. As a result of the amortization, Sofora agreed to pay WAI an amount equal to the par value of WAI's shares of capital stock issued by Sofora, such amount being equivalent to \$140,704,640, and issue in the name of WAI one or more dividend certificates (Class A Bono de Goce) evidencing WAI's rights to dividends up to an aggregate amount of US\$ 470 million minus the amounts paid to amortize the shares of Sofora owned by WAI (equivalent to US\$ 8,683,596).

On May 23, 2017 the first tranche of the ordinary shares of Sofora owned by WAI (74,749,340 ordinary shares), representing 17% of Sofora's capital stock was amortized. As a result of the mentioned amortization:

- i. Sofora paid \$74,749,340 to WAI and issued a Class A Bono de Goce on behalf of WAI which granted them the right to dividends in the amount of US\$ 245,036,017, and
- ii. The members and alternate members of the Board of Directors and of the Supervisory Committee of Telecom Argentina, Personal, Nortel and Sofora appointed by WAI presented their resignations. In the case of Telecom Argentina, the General Ordinary and Extraordinary Shareholders Meeting

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held on May 23, 2017, in its second tranche of deliberations held on June 6, 2017, appointed two directors, two alternate directors, one member of the Supervisory Committee and one alternate member of the Supervisory Committee to complete the term of duties of the resigning members and alternate members of the Board of Directors and of the Supervisory Committee of Telecom Argentina.

As a result of obtaining the authorization of ENACOM mentioned in 2) of this Note, on June 22, 2017, the second tranche of the ordinary shares of Sofora owned by WAI (65,955,300 shares) representing 15 % of Sofora's capital stock before the first tranche of ordinary shares amortization, was amortized. As a result of this amortization, Sofora paid \$65,955,300 to WAI and issued an additional Class A Bono de Goce on behalf of WAI which granted them the right to dividends in the amount of US\$ 216,280,387.

As a result of the amortization of all Sofora's ordinary shares, since June 30, 2017, Fintech is the sole shareholder of Sofora.

The principal terms and conditions of each Bono de Goce provide that: (i) dividend payments of up to the maximum amount under the Bono de Goce will be made only if and when Sofora resolves to pay a dividend, (ii) dividend payments made by Sofora shall be paid to the holder of the Bono de Goce with priority over all other shareholders of Sofora, (iii) all dividends to be paid under the Bono de Goce will be paid by Sofora with liquid and realized profits, (iv) the maximum amount of dividends to be collected under the Bono de Goce shall accrete every year on June 1 on the amount of dividends that remain unpaid by Sofora as of May 31 of the relevant year at a 2% annually, (v) Sofora has a right to redeem the Bono de Goce at any time after the later of 36 months from the date of issuance or the payment of 60% of the maximum amount of dividends under the Bono de Goce and, whatever occur at last (vi) in the event that Sofora is absorbed by another continuing company of Sofora's activities, the preference of the Class A Bono de Goce will remain only in respect of those shares of the continuing company that Sofora's shareholders receive according to the expected exchange ratio of the Reorganization, so that this preference does not affect the other shareholders of the absorbing company, meaning that, in the case of the reorganization mentioned in this Note (the Telecom Group's Reorganization), the preference for the Class A Bono de Goce will only be verified with respect to the Class A Shares of Telecom Argentina that receives Fintech and will not affect the Class B Shares or Class C Shares of Telecom Argentina.

If the Reorganization of the Telecom Group is consummated, Telecom Argentina will assume all the rights and obligations of Sofora as issuer of the Class A Bonos de Goce. In no event shall the dividend rights under the Class A Bonos de Goce affect the dividend rights of holders of Telecom Argentina Class B or Class C Shares.

## **2) The Telecom Group's Reorganization**

On March 31, 2017, each of the Board of Directors of Sofora, Personal and Nortel and Telecom Argentina approved a preliminary reorganization agreement (the Preliminary Reorganization Agreement). Under the terms of the Preliminary Reorganization Agreement, Telecom Argentina will absorb to Nortel, Sofora and Personal according to the provisions of sections 82 and 83 of the LGS.

Telecom Argentina's and Personal's General Ordinary and Extraordinary Shareholders Meetings held on May 23, 2017, and Nortel's and Sofora's General Extraordinary Shareholders Meeting held on May 22, 2017 approved the Telecom Group's Reorganization jointly with the following documents:

- i. Special-purpose unconsolidated financial statements of their respective companies as of December 31, 2016;
- ii. Special-purpose combined financial statements of Sofora, Nortel, Telecom Argentina y Telecom Personal as of December 31, 2016;
- iii. The corresponding preliminary reorganization agreement approved on March 31, 2017.

Additionally, the mentioned Telecom Argentina s General Ordinary and Extraordinary Shareholders Meeting approved:

- i. the conversion of up to 161,039,447 Class A Ordinary Shares, par value \$1 entitled to one vote per share into equal Class B Ordinary Shares, par value \$1 and entitled to one vote per share to be delivered to Nortel s Preferred Class B Shares holders, as explained in Section 4th of the related preliminary reorganization agreement; and
- ii. the amendment of the following sections of the Bylaws:
  - a. Section 4°: to establish a dynamic conversion procedure for the shares representing capital stock from one Class to the other with equal political and equity rights; and
  - b. Section 5°: to allow the total or partial amortization of integrated shares according to the provisions of Section 223 of LGS and allow de issuance of Bonos de Goce according to the provisions of Section 228 on the mentioned Law.

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iii. The removal of Section 9° of the Bylaws, which includes limitations for transferring Class A Shares, which will be effective since the authorization of the ENACOM of the Nortel's dissolution related to the Reorganization of the Telecom Group and the distribution to holders of Nortel's Class B Preferred Shares of a portion of Class A Shares of Telecom Argentina through its conversion to Class B Shares in accordance to the provisions of the corresponding preliminary reorganization agreement.

At least, Personal's, Nortel's and Sofora's Shareholders' Meeting approved the dissolution without liquidation of such companies in accordance with Section 94, item 7 of the LGS as a consequence of their incorporation to Telecom Argentina through the Telecom Group's Reorganization.

The effective date of the Telecom Group's Reorganization will be since 0:00 hours of the date in which the Chairmen of the Board of Directors of the parties of the Telecom Group subscribe an operations translation minute stating that: (i) Telecom Argentina has adapted its operational- technical systems to assume the operations and activities of Personal, Nortel and Sofora, and (ii) the translation of the activities and operations of the absorbed companies to Telecom Argentina was finalized as the following conditions to which the Telecom Group's Reorganization was subject were accomplished:

- approval of the Telecom Group's Reorganization under the terms and conditions established in its previous reorganization agreement in Nortel's Special Shareholders' Meetings (see Note 13.b);
- the signing of its definitive reorganization agreement;
- the obtaining of certain ENACOM's regulatory authorizations;
- that Telecom Argentina has conditioned its operational- technical systems with capacity to absorb the operations of Personal, Nortel and Sofora.

In addition, the improvement of the corporate and administrative procedures of the Reorganization of the Telecom Group is subject to the following conditions, among others: (i) obtaining the administrative compliance of the CNV with respect to the Telecom Group Reorganization, (ii) registration of its definitive reorganization agreement in the IGJ and (iii) obtaining any other authorization that may be required by other regulatory bodies (among others, the SEC).

As mentioned above, the companies involved have requested ENACOM the following authorizations provided for in the previous reorganization agreement:

a) ENACOM authorization (requested on March 30, 2017) for releasing the shares that comprised the second amortization tranche of Sofora's ordinary shares (owned by WAI representing 15% of Sofora's capital stock) of the allocation to the main core of shares of the investment consortium for the acquisition, in the process of privatization of ENTel, of the Sociedad Licenciataria Norte (currently Telecom Argentina) pursuant to the provisions of Decree No. 62/90 issued on January 5, 1990 and the terms of such privatization and Resolution No. 111/03 issued by the SC on December 10, 2003.

b) ENACOM authorization (requested on May 17, 2017) for the dissolution of Nortel as a result of the Reorganization of the Telecom Group and the distribution to the holders of Nortel's Class B Preferred Shares of a portion of Telecom Argentina's Class A Shares through its conversion to Telecom Argentina's Class B Shares pursuant to the corresponding reorganization agreement.

c) ENACOM authorization (requested on May 17, 2017) for the transfer to Telecom Argentina, as a result of the Reorganization of the Telecom Group, of all licenses for the provision of ICT Services and the records of ICT Services, together with the corresponding permissions for the use of frequencies, which were granted or awarded to Personal.

On June 16, 2017, the ENACOM Authorization referred to in a) above was granted by Resolution No. RESOL-2017-5120-APN-ENACOM # MCO, allowing the amortization of the second tranche of Sofora's ordinary shares, described in 1).

As of the date of issuance of these consolidated financial statements, the procedures mentioned in b) and c) above pending from a favorable ENACOM resolution.

As a consequence of the reorganization and with effect as of the date thereof: (i) the total equities of the Absorbed Companies will be transferred to Telecom Argentina to the book values of such items in the respective Special Individual Reorganization Financial Statements. According to this, Telecom Argentina will acquire all rights, obligations and responsibilities of any nature of Personal, Sofora and Nortel; (ii) Telecom Argentina will be the continuing company of all Personal, Sofora and Nortel activities; (iii) Personal, Sofora and Nortel will be dissolved without liquidation and (iv) Nortel's shares and ADS's and Sofora's and Personal's ordinary shares will be cancelled.



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As a consequence of the Reorganization, Nortel will:

- (i) distribute a portion of Nortel's Telecom Argentina Class A Shares to the holders of Sofora Common Shares,
- (ii) convert Nortel's remaining Telecom Argentina Class A Shares to Telecom Argentina Class B Shares,
- (iii) distribute all of Nortel's Telecom Argentina Class B Shares (including all of Nortel's Telecom Argentina Class B Shares that will be converted from Telecom Argentina Class A Shares) to the holders of Nortel Preferred Shares, and
- (iv) cancel all of Nortel's preferred Class B shares and ordinary shares.

Telecom Argentina will not issue any new Class B Shares or Class A Shares in connection with the Reorganization. The Reorganization is subject to certain authorizations of ENACOM.

Following the Reorganization approval at the Nortel's Special Shareholders Meetings (see Note 13.b), the companies involved in the Telecom Group's Reorganization expect to enter into a definitive reorganization agreement (the Final Reorganization Agreement), which will be filed with the Argentine administrative authorities in accordance with applicable corporate procedures.

Since (i) it is expected that, as of the Telecom Group's Reorganization date, Nortel and Sofora, that are holding companies with no operations or assets other than direct and indirect interests, respectively, in Telecom Argentina and (ii) Personal is a wholly-owned subsidiary of Telecom Argentina, Telecom Argentina does not expect any material changes in its statement of financial position or income statement as of the Telecom Group's Reorganization date. The Reorganization will be accounted for under the Absorbed Companies basis of accounting, as permitted by IFRS as issued by the IASB. Under this method, assets and liabilities of the Absorbed Companies will be incorporated by Telecom Argentina at their respective book values.

**NOTE 11 MERGER BY ABSORPTION BETWEEN TELECOM ARGENTINA AND CABLEVISION S.A.**

On June 30, 2017 the Board of Directors of Telecom Argentina and Cablevisión S.A. approved a preliminary merger agreement by which they agree that Telecom Argentina will absorb by merger Cablevisión, which will be dissolved without liquidation, in accordance with the provisions of Sections 82 and 83 of the LGS, and ad referendum of the corporate and regulatory approvals (the Merger).

The purpose of the Merger is to enable the merged company to efficiently offer, in line with the trend both at a national and international level, technological convergence products between media and telecommunications services, in a separate or independent basis, to provide voice, data, sound and image services, both fixed and wireless, in a single product or groups of

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products for the benefit of users and consumers of such multiple individual services. Likewise, both companies have considered that their respective operational and technical structures are highly complementary and could be optimized through a structural consolidation, achieving synergies and efficiencies in the development of convergence products that the market will demand.

The Merger Effective Date will be since 0:00 hours of the date in which the Chairmen of the Board of Directors of Telecom Argentina y Cablevisión S.A. subscribe an operations translation minute stating that: (i) Telecom Argentina has adapted its operational- technical systems to assume the operations and activities of Cablevisión S.A., and (ii) that on such Merger Effective Date the translation of the activities and operations of Cablevisión S.A. to Telecom Argentina was finalized as the following conditions to which the Merger was subject were accomplished:

- i. the subscription of the definitive merger agreement (which was subscribed on October 31, 2017, *ad referendum* of the ENACOM authorizations under Decree No. 267/15), and
- ii. the ENACOM operation authorization.

Since the Merger Effective Date, (i) the whole assets and liabilities (including registered assets, licenses, rights and obligations) belonging to Cablevisión S.A will be incorporated to Telecom Argentina's equity, (ii) Telecom Argentina will continue the operations of Cablevisión S.A., generating the corresponding operational, accounting and tax effects, (iii) the administration and representation of Cablevisión S.A. will be in charge of the administration and representations boards of Telecom Argentina.

According to the Merger, and to the provisions of Section 83, item c) of the LGS, the following distribution ratio has been settled: one ordinary share of Cablevisión S.A. (both, Class A and B shares) for every 9,871.07005 new ordinary shares of Telecom Argentina (the Distribution Ratio). The determined Distribution Ratio was considered fair from a financial perspective by the independent valuation experts JPMorgan Securities LLC and Lion Tree Advisors LLC.

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As a result of the merger, Telecom Argentina will increase its capital stock in the amount of \$1,184,528,406 and will issue as consideration 1,184,528,406 ordinary book-entry shares of its common stock, with nominal value of \$1 and entitled to one vote per share, to be delivered to Cablevisión S.A.'s shareholders instead of the shares they hold of such Company. These delivered shares will be Telecom Argentina's Class A or Class D shares, as appropriate, according to the established Distribution Ratio, or according to the new shares resulting from the Distribution Ratio adjustments that would be later realized according to the preliminary merger agreement.

Also, on June 30, 2017, the Telecom Argentina's and Cablevisión S.A.'s Board of Directors approved to call for an Ordinary and Extraordinary Shareholders Meeting of Telecom Argentina and Extraordinary Shareholders Meeting of Cablevisión S.A., respectively, which both were held on August 31, 2017 and approved the preliminary merger agreement and, relating Cablevisión S.A., its dissolution as of the Merger Effective Date and, relating Telecom Argentina, the Bylaws amendment and the increase of its capital stock.

In relation to the mentioned merger, on July 7, 2017 Cablevisión Holding S.A., VLG Argentina LLC, Fintech Media LLC, Fintech Advisory Inc., GC Dominio S.A. (all direct and indirect shareholders of Cablevisión S.A.) and Fintech (parent company of Telecom Argentina) approved a shareholders agreement that will rule the future exercise of their rights as shareholders of Telecom Argentina S.A. (the Agreement) once the merger is concluded. According to such Agreement, the parties had provided:

- the representation in the corporate bodies, stating that, subject to the compliance of certain conditions provided and as long as Cablevisión Holding S.A. satisfies certain minimum ownership requirements in the merged company, Cablevisión Holding S.A. will be able to appoint a majority of the members of the Board of Directors, Executive Committee, Audit Committee, Supervisory Committee and the CEO and the main managers who report to the CEO, except for the CFO and the Internal Audit. Also, the Chairman of the Board of Directors will be appointed by Cablevisión Holding S.A., whereas the vicepresident will be appointed by Fintech;
- a scheme of supermajorities and required approvals to agree upon certain decisions in the governance and in the corporate bodies of the Merged Company, such as: i) the approval of the Business Plan and the Annual Budget of the Merged Company, ii) amendments of the bylaws, iii) changes in Independent Auditors, iv) the creation of committees of the Board of Directors, v) hiring of Key Employees, as defined in the Agreement (Key Employees will be proposed by Cablevisión Holding S.A., except for the CFO and the internal auditor), vi) mergers by absorption of Telecom Argentina or any other controlled company, vii) certain assets acquisitions, viii) certain sale of assets, ix) capital increases, x) incurrence of indebtedness over certain limits, xi) capital investments in infrastructure, plant and equipment above certain amounts, not included in the Business Plan and in the Annual Budget, xii) related party transactions, xiii) contracts that may impose restrictions to the distribution of dividends, xiv) new lines of business or discontinuing existing lines of business, xv) contracting for significant amounts, not included in the Business Plan and in the Annual Budget, among others.

In addition, Cablevisión Holding S.A. accepted on July 7, 2017 an offer of call option granted by Fintech Advisory Inc. for the acquisition of a 13.51% additional equity interest in Telecom Argentina (that would represent a participation of approximately 6% of the merged company) in the amount of US\$ 634,275,282. The call option can be executed during one year since July 7, 2017.

On September 6, 2017 Telecom Argentina S.A. and Cablevisión S.A. entered a presentation before the ENACOM requesting authorization for:

(i) The transfer and incorporation of the Licencia Unica Argentina Digital (Digital Argentina Sole License) owned by Telecom Argentina S.A., of the records, resources, assignments, and ratings owned by Cablevisión S.A.

(ii) The transfer in favor of Telecom Argentina S.A. of the authorizations of usage and the resources assigned for the provision of the services registered under the ownership of Cablevisión S.A. and / or the companies absorbed by the latter.

(iii) The change of corporate control that will take place in Telecom Argentina S.A. once the aforementioned ENACOM authorization has been obtained, the Merger becomes effective and the shareholder agreement of July 7, 2017 becomes effective, as a result of which Cablevisión Holding S.A. will be the controlling company of Telecom Argentina S.A. as the surviving company of Cablevisión S.A.

The Merger will be accounted for using the acquisition method, as outlined by IFRS 3. IFRS 3 requires, in a business combination effected through an exchange of equity interests, all relevant facts and circumstances to be considered when identifying the acquirer. Based on the terms of the preliminary

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merger agreement, Cablevisión S.A. (the legally absorbed entity) is to be considered the accounting acquirer and Telecom Argentina (the surviving entity) is to be considered the accounting acquiree, which qualifies the transaction as a reverse acquisition in accordance with IFRS. The factors that were relied upon to determine that Cablevisión S.A. should be treated as the accounting acquirer in the Merger were:

- 1) the relative voting rights in the surviving entity (55% for the current shareholders of Cablevisión S.A. and 45% for the current shareholders of Telecom Argentina);
- 2) the composition of the board of directors in the surviving entity and other committees (Audit, Supervisory and Executive),
- 3) the relative fair value assigned to Telecom Argentina and Cablevisión S.A. and
- 4) the composition of the key management of the surviving entity.

Accordingly, the assets and liabilities of Cablevisión S.A. will be recognized and measured in the consolidated financial statements at their pre-Merger carrying amounts, while the identifiable assets and liabilities of Telecom Argentina S.A. will be recognized at fair value as of the Merger Effective Date. Goodwill resulting from the application of the acquisition method will be measured as the excess of the fair value of the consideration paid over the net fair value of Telecom Argentina's identifiable assets and liabilities. The retained earnings and other equity balances recognized in the consolidated financial statements of the combined entity are those of Telecom Argentina S.A. and Cablevisión S.A. immediately before the Merger.

**NOTE 12 RECENT DEVELOPMENTS CORRESPONDING TO THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017 FOR THE TELECOM GROUP**

**a) *Pre-cancellation of Personal's bank loan***

On January 28, 2015, Personal had signed a loan agreement with a foreign bank for US\$ 40.8 million (equivalent to \$353 as of such date). The capital was fully cancelable in 27 months (bullet) with quarterly interest payments.

On February 7, 2017, with the maturity of the interest service, Personal proceeded to fully prepay the loan, paying US\$ 40.8 million of capital (equivalent to \$606), US\$ 1 million of interest (equivalent to \$16) and US\$ 0.3 million of pre-cancellation fee (equivalent to \$5).

**b) *NDF to hedge interest rate fluctuations***

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During 1Q17, Personal entered into several hedging agreements (NDF) to cover fluctuations in the LIBO rate of the loan with the International Financing Corporation ( IFC ) in an amount of US\$ 400 million. These NDF allow fixing the variable rate for the full loan term, ranging from 2.087% to 2.4525% nominal per annum (a weighted average of 2.2258% nominal per annum).

Such NDF begun on March 15, 2017 hedging US\$ 300 million and the remaining US\$ 100 million was hedge since September 15, 2017.

During 3Q17, Personal entered into several hedging agreements (NDF) to cover fluctuations in the LIBO rate of the loan with the Inter-American Investment Corporation ( IIC ) in an amount of US\$ 40 million. These NDF were entered in two tranches of US\$ 20 million each, both beginning on March 15, 2018, fixing the variable rate for the full loan term in 2.1325% and 2.085% nominal per annum, respectively.

### **c) *Acquisition of Nortel s interest in Personal***

On March 31, 2017, the Board of Directors of Nortel approved the sale of its interest of 120,000 shares of Personal to Telecom Argentina (representing 0.008% of Personal s capital stock) for an amount of \$4, which were fully paid in April. As a result of this transaction Telecom Argentina owns 100% of Personal.

### **d) *Radioelectric Spectrum Fees***

In October 2016 Personal modified the criteria used for the statement of some of its commercial plans ( Abono fijo ) for purposes of paying the radioelectric spectrum fees (*derecho de uso de espectro radioeléctrico* or DER ), taking into account certain changes in such plans composition. This meant a reduction in the amount of fees paid by Personal.

In March 2017, the ENACOM demanded Personal to rectify its statements, requiring that such plans statements continue to be prepared based on the previous criteria. On August 15, 2017, Personal received a note for the differences owed, and on August 31, 2017 presented the corresponding

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administrative note. Personal's Management believes that it has solid legal arguments to defend its position. However, it cannot be assured that such arguments will be accepted by the ENACOM.

The difference resulting from both sets of liquidation criteria is of approximately \$26 per month since October 2016, plus interests.

**e) *Claims of some Personal Content Providers***

In the framework of the general reorganization of the content business started out by Personal in 2016, and given the upcoming expiration of agreements with content providers, some of the latter have been notified that such agreements will not be renewed.

By virtue of that communication, four of those companies initiated and obtained in court precautionary measures against Personal, in order to avoid that the duly notified decision of not renewing the agreements be effective, and thus, forcing Personal to refrain from disconnecting or interrupting the contractual relationship on the scheduled dates.

On February 24, 2017, the ENACOM notified Personal the Resolution 2017-1122-APN-ENACOM # MCO (Resolution No. 1122, through which provided about content suppliers who frame as Audiotext VAS and Massive Calls suppliers), which established that Mobile Operators may receive, in every concept, a percentage that should not exceed 40% of the services invoiced on behalf and to the order of such suppliers. In addition, the Resolution provides a 30-day period to file through the ENACOM the interconnection agreements or the amendments to the existing ones, which ensure the amendments to the agreements already in force and in relation to the services rendered by the members of the Argentine Mobile Value Added Corporation (Cámara Argentina de Valor Agregado Móvil or CAVAM).

On March 22, 2017, Personal's Management, with the assistance of its legal advisors and due to its solid arguments, filed an administrative appeal against Resolution No. 1122 before the former Ministry of Communications (MINCOM - currently the Ministry of Modernization-). Likewise, Personal has exercised the necessary legal actions for the protection of its rights.

Also, Personal has renewed the commercial agreements with the majority of the contents suppliers, which are still in force.

On September 29, 2017, the ENACOM notified Personal of ENACOM Resolution No. 2,408/17, rejecting the reconsideration recourses filed by Movistar and Claro against Resolution No. 1122, and the suspension of the effects of said resolution, requested by Personal, Movistar and Claro. Likewise, by means of this act, the reconsideration recourse filed by Personal against ENACOM Note No. 29/17 (in relation to the supplier MOVICLIPS) was rejected, and the recourse filed by Personal against Resolution No. 1122 before the former MINCOM, is still pending resolution.

**f) *Telecom Argentina's declaration as proper taxpayer***

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and comply with other requirements may qualify for an exemption from the personal assets tax for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should be filed before March 31, 2017.

Telecom Argentina has already filed this request related to the payment of the tax on personal property on behalf of Shareholders. As a consequence, Telecom Argentina recorded in 2017 the reversal of the current tax credit on personal property on behalf of Shareholders and the corresponding liability that it had recorded as of December 31, 2016 which amounted to \$8 and has discontinued recording such receivables and liabilities since January 1, 2017.

Notwithstanding, it cannot be assured that in the future, Telecom Argentina can fulfill those requirements and maintain the referred exemption.

***g) Consultation documents under the General Regulation of Public Hearings and Consultation Documents for Communication Services provisions and General Regulation for the Participatory Elaboration of Standards***

Telecom Argentina and Personal have timely filed through the ICT Secretary their opinions and proposals for the following consultations and documents issued during 2017:

- **Document Licenses for ICT Services Regulation** issued through SECTIC Resolution No. 1-E/17 issued on January 20, 2017;
- **Document Consultation on ICT Network Service Quality** issued through SECTIC Resolution No. 3-E/17 issued on March 13, 2017;



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- **Document Interconnection and Access General Regulation Project** , issued through SECTIC Resolution No. 2-E/17, issued on March 13, 2017;
- **Document Public Hearing for Internet Matters** , issued through SECTIC Resolution No. 7-E/17, issued on May 12, 2017;
- **Project Customers of ICT Services Regulation** issued through SECTIC Resolution No. 12-E/17, issued on July 6, 2017; and
- **Project Number Portability Regulation (including fixed telephony service)**, issued through SECTIC Resolution No. 1-E/17, issued on September 29, 2017. Telecom Argentina presented its opinions and proposals on October 31, 2017.

***h) Interest rate applicable to the matters under 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 matters under its jurisdiction in the City of Buenos Aires shall be the nominal annual rate for personal loans with free use of funds of the *Argentine National Bank* for a 49 to 60 month term (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 (1.972% per month). Therefore, this disposition represented an increase in the interest rate, which the Company has reflected in its assessment of the provisions for pending labor claims since May 2014.

This prospective criterion was sustained until the date of issuance of the consolidated financial statements as of December 31, 2016, since Telecom Group's Management, with the assistance of its legal counsel, considered that there were strong legal arguments to challenge the retroactive application of the new rate.

However, later, the labor courts have applied the new rate criterion retroactively as from the date that each amount is considered due. The Telecom Group has appealed these decisions but the National Labor Court of Appeals validated the criterion mentioned in recent cases and extraordinary appeals have been dismissed before the Supreme Court. For this reason, during 2017, the Telecom Group has recorded additional provisions that it considers sufficient to cover the impacts that these rulings could have.

***i) Modification of the forms to be submitted by affidavits related to the FFSU contributions***

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In accordance with ENACOM Resolution No. 6,981-E/16 issued on October 19, 2016, FFSU and the FFSU Investment Contribution Settlement and Interest Report new forms were approved and will be in force since January 1, 2017, being operationally implemented since March 2017. Taking into consideration the changes introduced in the Affidavits Form approved by the regulation, the Company and Personal made a presentation to the Regulatory Authority exposing the need to introduce amendments to the forms in order to explain the deductions of the SU services that both companies are providing.

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

### *j) Acquisition of the controlling interest in Tuves Paraguay*

On October 6, 2016 Tuves Paraguay's controlling shareholder (TU VES S.A. Chile) accepted Núcleo's proposal for executing the Tuves Paraguay's shares purchase option, which was subject to the approval of the Comisión Nacional de Telecomunicaciones (CONATEL).

On April 11, 2017, the CONATEL's Board of Directors through Resolution No. 460/17 authorized TU VES S.A. (Chile) to transfer Núcleo 350 shares of Tuves Paraguay, that represent 70% Tuves' total capital stock.

Accordingly, and pursuant to the provisions of the shares purchase agreement, on June 30, 2017, the transaction was performed and Núcleo acquired the 70% capital stock and votes of Tuves Paraguay through the payment of approximately \$0.1 (35 million of Guaraníes) and the partial capitalization of receivables that Núcleo had at such date for approximately \$147 (49,396 million of Guaraníes).

Tuves Paraguay is a Paraguayan company whose main purpose is the provision of telecommunications services and also the distribution of digital audio and television signals to homes, in accordance with the license granted by CONATEL.

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**Accounting treatment**

The acquisition of control of Tuves Paraguay was recognized in the consolidated financial statements as of June 30, 2017, in accordance with the provisions of IFRS 3 Business Combinations .

For this purpose, the total purchase price provided by IFRS 3 of approximately \$149 (50,056 million of Guaraníes) was determined including the book value of the call option as of the date of the transaction, the assets and liabilities of Tuves Paraguay were measured at fair value, recognizing a higher value of PP&E and identifying a customer relationship and a goodwill of approximately \$2 within Intangible Assets (662 million of Guaraníes), which will be annually reviewed through its impairment test.

***k) Loan with the Inter-American Investment Corporation***

In April 2017, Personal and the Inter-American Investment Corporation ( IIC ), a member of the Inter-American Development Bank ( IDB ) Group, signed a loan agreement ( IIC Loan ) for an amount of US\$ 100 million maturing in September 2022, payable in 8 equal half-yearly installments since the 24th month, with a 6 month LIBO rate + 400bp. The funds of this loan will be allocated to deploy the 4G network and for financing working capital and other financial needs. The loan terms include standard commitments and covenants for this type of financial transactions.

The funds were effectively disbursed by IIC on September 18, 2017 (approximately \$1,723).

***l) Cancellation of Personal s Series I Notes***

On June 12, 2017, Personal canceled, on its maturing date, all Series I Notes for an amount of \$571.5, within the Notes Issuance Global Program (up to US\$ 1 billion or its equivalent in other currencies), authorized by the CNV through Resolution No. 16,670.

***m) Resolution ENACOM No. 3,687-E/17 On-demand spectrum allocation***

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

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

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

On June 2, 2017, ENACOM announced four bidders in the opening auction session: (Telefónica Móviles Argentina S.A. ( TMA ), AMX Argentina S.A. ( AMX ), Personal and Telecentro S.A. ( Telecentro ). Attending to the observations made by the bidders, it was decided to adjourn the session so that, within 10 days, the ENACOM could treat the mentioned observations, setting June 16, 2017 as the new date for the auction session reopening.

ENACOM Resolution No. 4,767 E/17 issued on June 12, 2017, provided that Telecentro did not meet the requirements to be considered a qualified bidder, in accordance with the provisions of Section 2 of ENACOM Resolution No. 3,687 E/17, as it is not a current provider of mobile communications services, according to the provisions of Section 3 of Decree No. 798/16. As a result, its request for on-demand spectrum allocation was rejected.

On June 16, 2017 the auction session reopening was performed, with the participation of TMA, AMX and Personal, resulting TMA applying for Lot A, AMX applying for Lot B, and Personal applying for Lot C, thus resolving the observations made by the bidders at the opening auction session held on June 2, 2017.

On July 5, 2017, ENACOM notified Personal of its Resolution No. 5,478-E/17 through which the frequencies included in Lot A were assigned to TMA, the frequencies included in Lot B were assigned to AMX and the frequencies included in Lot C were assigned to Personal (all of them stated in Annex I of ENACOM Resolution No. 3,687 E/17), in the locations detailed in the respective Annexes (attached to

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Resolution No. 5,478-E/17) as requested by each provider. The Resolution provides that the enforcement of its provisions will be operative, within the Departments of San Rafael, General Alvear and Malargüe, of the Province of Mendoza, once the judicial decision ordered by the Federal Court of San Rafael in the legal process entitled CABLE TELEVISORA COLOR S.A. c/ PEN AND OTHER S/ AMPARO Ley 19,986-File No. 5,472/17 had been revoked.

The spectrum allocation will last 15 years since CABA plus other thirteen areas are free of interference over a total of 18 provincial capitals plus Rosario, Mar del Plata and Bahia Blanca and will demand payment of up to approximately U\$S 55.9 million (subject to certain compensation clauses for early or late releases) to be paid by localities released from interference on every January of the following year of the year of the effective release. The conditions for the spectrum allocation include certain obligations regarding the service launch by localities, penalty clauses for non-compliance with the deadlines established by localities (which would involve the frequency return plus a fine equivalent to 15% of the spectrum value of the locality involved) and certain guarantees required, among them, the deployment.

**n) *SU Programs***

- **Technological Area Installation Project into state-managed schools:** through ENACOM Resolution No. 3,701 E/17, published in the Official Bulletin on May 15, 2017 the technological area installation project (internal network, servers, routers and cables) into 18,320 state-managed schools was approved, that will enable Broadband Internet service. This service provision has administrative and educational goals, according to each school's need, and was launched within the Digital Education Network Program approved by ENACOM Resolution No. 1,035/17 issued on February 17, 2017. The project performance will be in charge of EDUC.AR S.E. and \$2,300 of the FFSU will be allocated to its performance. This Resolution also extends for two years (since its implementation) the bonus of Broadband Internet Service stated in SC Resolution No. 147/10 according to the provisions of Resolution No. 2,530/16 or until the National Ministry of Education and Sports or EDUC.AR S.E. assume this service cost.

- **ICTs Access National Program for old people:** This Program, approved by ENACOM Resolution No. 3,248/17, published in the Official Bulletin on May 5, 2017, aims to enable old people to access to equipment that contribute to their integration and social development through the use of ICT services. The program implementation costs will be solved with SU funds. The beneficiaries of the Program will be old people who receive the minimum retirement salary. The Program will be implemented in successive stages through the implementation of specific projects that will delimit the localities, the number of beneficiaries reached in each one and the technical scope of each project. On September 29, 2017, through ENACOM Resolution No. 2040-E/ 2017, the Bases and Conditions on the participation and access to the benefits provided for said Program were approved.

**o) *ENACOM Resolution No. 4,656-E/2017 Model Agreement for the authorization for infrastructure***

**sharing**

The Board of Directors of ENACOM issued Resolution No. 4656-E/2017, published in the Official Bulletin on June 12, 2017, approving the model agreement for the Authorization for the Sharing of Active and / or Passive Infrastructure , Automatic Roaming and Goals of Service to be celebrated with each of the current providers of the Advanced Mobile Communications Service ( SCMA ) who were awarded with the frequency bands for the provision of the Personal Communications service ( PCS ), the Cellular Mobile Radiocommunication Services ( SRMC ) and the SCMA approved by SC Resolution No. 38/2014, delegating to the President of ENACOM the powers to subscribe the agreement within 15 working days .

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

On November 2, 2017, the ENACOM issued Resolution No. 3420-E/2017, through which it was decided to extend the delegation made in Resolution No. 4656-E/2017 for a 180 day-period.

As of the date of issuance of these consolidated financial statements, the agreement is still pending of subscription.

**p) Ministries Law Amendment MINICOM removal and approval of the structure of the Ministry of Modernization**

On July 17, 2017, Decree No. 513 was published. This Decree amended the Law of Ministries by removing the Ministry of Communications, created by Decree No. 13/15. The Decree delegates on the Ministry of Modernization the competence to assist the PEN and the Chief of Ministers in everything

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inherent to public employment, management innovation, procurement regime, information technologies, telecommunications, audiovisual media services and postal services.

In particular, the Ministry has among its duties:

- The development and implementation of the telecommunications policy.
- The elaboration of the tariff structures in its competence area.
- The elaboration of policies, laws and treaties in its competence area and supervise the service providers control bodies in its competence area.
- The elaboration of licenses regulation, authorizations or registries of services in its competence area or of other authorization certificates to federal regimes in the matter granted by the National Government or the provinces.
- Establish tariff, fees and rates regimes for activities related to its competence area.
- The elaboration, execution, control and regulation of the postal service regime.
- The research and technological development in the different areas of its competence competition.
- The promotion of universal access to new technologies as information and knowledge tools, as well as understand the coordination with Provinces, companies and bodies, to optimize the use of existing networks.
- Manage the National Government equity interests in Empresa Argentina de Soluciones Satelitales S.A. (ARSAT) and Correo Oficial de la Republica Argentina S.A.

On August 11, 2017 Decree No. 632/17 approved the structure of the Ministry of Modernization; the ENACOM is within the scope of this new ministry.

**q) *Salary agreements***

In July 2017, the Telecom Group has signed an agreement with the Unions for the period July 2017 - June 2018. As a result the mentioned, the unionized employees will receive in different installments/fixed payments, amounts that will represent 25% of its salaries.

**r) Merger of Cubecorp Argentina S.A. ( Cubecorp )**

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

In March 2009, the Board of Directors of Cubecorp and Telecom Argentina approved the Merger Agreement, by which both companies would merge (subject to the approval of the CNV and to the approval of the Shareholders Meetings of Cubecorp and Telecom Argentina), being Telecom Argentina the continuing company and Cubecorp the dissolved without liquidation company. The CNV determined no legal or accounting observations for the merger and ordered the publication of the Merger Agreement in the Buenos Aires Stock Exchange s ( the BCBA ) Daily Bulletin and in the CNV s website ([www.cnv.gov.ar](http://www.cnv.gov.ar), section Autopista de Información Financiera ).

The Extraordinary Shareholders Meeting of Cubecorp held on March 19, 2009, and the Annual General Ordinary and Extraordinary Shareholders Meeting of Telecom Argentina held on April 28, 2010 approved the merger, the corresponding financial statements and, in the case of the Meeting of Cubecorp, the dissolution without liquidation of Cubecorp as provided by Law No. 19,550 section 94 art. 7. Additionally, the Final Merger Agreement with Cubecorp was authorized, effective January 1st, 2009. The period specified in the Law No. 19,550 section 83 was completed and the Final Merger Agreement was granted on June 2, 2010.

On June 7, 2010, the process of registration of the merger with the CNV began, whose Board of Directors, on June 24, 2010, decided to hold the proceeding until the CNDC authorizes the acquisition of shares of Cubecorp by Telecom Argentina.

On September 5, 2017, Telecom Argentina was notified of the Secretary of Commerce Resolution No. 2017-656-APN-SECC # MP that authorized the operation of economic concentration consisting of the purchase of 100% of Cubecorp s shares.

On September 6, 2017, Telecom Argentina requested the CNV to provide administrative compliance to the Merger of Telecom Argentina with Cubecorp in accordance with the provisions of Chapter X Title II of the CNV Rules (NT 2013) and send the proceedings to the IGJ for registration.



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On October 12, 2017, the Board of Directors of the CNV ordered the merger by absorption of Telecom Argentina, as an acquiring company, and Cubecorp, as an absorbed company, and sent the proceedings to the IGJ for registration.

**s) *Regulation of Virtual Mobile Operators ( VMO )***

Within the framework of the VMO Regulation, an operator has requested the services of Personal, stating its interest in providing services as VMO. However, in the absence of agreement in the negotiation to sign a VMO agreement, the operator requested the intervention of the ENACOM for the purpose that the regulatory authority sets the terms of an eventual link. In the framework of these proceedings, two conciliatory hearings were held, in which no understanding was reached. As of the date of issuance of these consolidated financial statements, the ENACOM has not issued a resolution in this regard.

Personal and other mobile network operators have made reservations of rights with respect to the operator's request and the scope of the ENACOM's powers over the controversial issues.

**NOTE 13 SUBSEQUENT EVENTS TO SEPTEMBER 30, 2017**

**a) *Resolutions of the Unanimous General Ordinary Shareholders Meeting of Personal***

The Unanimous General Ordinary Shareholders Meeting of Personal held on November 6, 2017, resolved to reverse the Voluntary reserve for future dividends payments in the amount of \$1,500 and distribute such amount in cash dividends, which will be available to the shareholders on November 14, 2017.

**b) *Resolutions of the Common and Class B Preferred Shares Shareholders Meeting held on November 10, 2017***

With respect to the Telecom Group's Reorganization mentioned in Note 10.2, on November 10, 2017, the Common and Class B Preferred Shares Shareholders Meetings B of Nortel were held which considered and approved the following:

- ***Common Shares Special Shareholders Meeting***

This Meeting approved the dilution of the voting rights of the common shares of Nortel caused by the Exchange ratio offered to the common shares of Nortel in the merger of Nortel with and into Telecom Argentina as surviving Company within the context of the Telecom Group's Reorganization (Note 10.2).

• **Class B Preferred Shares Special Shareholders Meeting**

This Meeting approved the following:

- the merger of Nortel with and into Telecom Argentina, as the surviving company, within the context of the Telecom Group's Reorganization;
- dissolution of Nortel as a result of the Merger;
- exchange ratio of the Class B Preferred Shares of Nortel in exchange for Class B Common Shares of Telecom Argentina with voting rights, established in the Preliminary Reorganization Agreement dated March 31, 2017 (Note 10.2);
- waiver and removal of the provisions of Condition No. 9 (under the heading "Commitments") of the Conditions for the Issuance of the Class B Preferred Shares; and
- legal and accounting documents related to the Merger, including the Preliminary Reorganization Agreement, the special and consolidated financial statements of the merger, the Supervisory Committee's report, the amendment of the bylaws of Telecom Argentina and the subscription of the Final Reorganization Agreement.

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c) **Summon to a General Ordinary Shareholders Meeting of Telecom Argentina**

Telecom Argentina summoned a General Ordinary Shareholders Meeting to be held on November 30, 2017 to consider the delegation of powers in the Board of Directors to order the total or partial reversal of the Reserve for future cash dividends payments and the distribution of the amount in cash dividends, in amounts and dates to be determined by the Board of Directors.

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

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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, 2017, the consolidated statements of income and of comprehensive income for the three and nine-month periods ended September 30, 2017, the consolidated statements of changes in equity and of cash flows for the nine-month period ended September 30, 2017 and selected explanatory notes.

The balances and other information for the fiscal year 2016 and interim periods are an integral part of the above-mentioned financial statements and therefore they should be considered in relation with those financial statements.

**Management Responsibility**

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

**Scope of our review**

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

### **Conclusion**

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

### **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
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the provisions of the Commercial Companies Law and pertinent resolutions of the National Securities Commission;

b) The separate condensed interim financial statements are derived from accounting records kept in their formal respects in conformity with legal provisions;

c) We have read the Operating and financial review and prospects, on which, as regards those matters that are within our competence, we have no observations to make;

d) As of September 30, 2017, the debt of Telecom accrued in favor of the Argentine Integrated Social Security System, as shown by the Company's accounting records, amounted to \$176,525,038.39 and was not due at that date.

City of Buenos Aires, November 10, 2017

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Marcelo D. Pfaff

Public Accountant (UBA)

C.P.C.E.C.A.B.A. T° 156 F° 84

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- **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	
3Q16	58.00	53.00	4.7
4Q16	59.40	54.40	10.1
1Q17	74.00	57.90	5.5
2Q17	85.30	67.60	6.5
3Q17	109.25	93.00	9.0

**NYSE\***

Quarter	Market quotation (US\$/ADS*)		Volume of ADSs traded (in millions)
	High	Low	
3Q16	19.50	17.64	6.5
4Q16	18.82	17.40	10.9
1Q17	23.98	18.00	7.4
2Q17	25.87	22.25	10.3
3Q17	31.69	26.39	15.4

\* Calculated at 1 ADS = 5 shares

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

**In Argentina**

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

<b>Outside Argentina</b>	
JP Morgan Chase	
Latam ADS Sales & Relationship Mgmt.	
4 New York Plaza, Floor 12 New York, NY 10004 USA	
Tel.: 1-212-552-3729	

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

- **DEPOSIT AND TRANSFER AGENT FOR ADSs**

J.P. Morgan Depositary Receipts  
 4 New York Plaza, Floor 12  
 New York, NY 10004  
 (866) JPM-ADSs  
[adr@jpmorgan.com](mailto:adr@jpmorgan.com) [www.adr.com](http://www.adr.com)

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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 1, 2017

By: /s/ Pedro G. Insussarry  
Name: Pedro G. Insussarry  
Title: Responsible for Market Relations

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