

TELECOM ARGENTINA SA  
Form 6-K  
September 02, 2016  
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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 September 2016

Commission File Number: 001-13464

**Telecom Argentina S.A.**

(Translation of registrant's name into English)

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

**Buenos Aires, Argentina**

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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                     

X                       

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                     

X                       

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                     

X                       

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**

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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 June 30, 2016 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

**2. Telecom Group's activities for the six-month periods ended June 30, 2016 ( 1H16 ) and 2015 ( 1H15 )**

Total revenues and other income for 1H16 amounted to \$25,426 (+37.4% vs. 1H15), operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E amounted to \$21,705 (+41.3% vs. 1H15), operating income before depreciation and amortization amounted to \$6,755 (+31.5% vs. 1H15) representing 26.6% of consolidated revenues, operating income amounted to \$3,721 (+18.2% vs. 1H15) and net income amounted to \$1,737 (-12.2% vs. 1H15). Net income attributable to Telecom Argentina amounted to \$1,725 in 1H16 (-11.8% vs. 1H15).

	<b>1H16</b>	<b>1H15</b>	<b>Variation</b>	
			<b>\$</b>	<b>%</b>
Revenues	25,406	18,496	6,910	37.4
Other income	20	11	9	81.8
Operating costs without depreciation and amortization	(18,671)	(13,372)	(5,299)	39.6
<b>Operating income before depreciation and amortization</b>	<b>6,755</b>	<b>5,135</b>	<b>1,620</b>	<b>31.5</b>
Depreciation and amortization	(2,894)	(1,990)	(904)	45.4
Gain on disposal of PP&E and impairment of PP&E	(140)	3	(143)	n/a
<b>Operating income</b>	<b>3,721</b>	<b>3,148</b>	<b>573</b>	<b>18.2</b>
Financial results, net	(1,046)	(119)	(927)	779.0
<b>Income before income tax expense</b>	<b>2,675</b>	<b>3,029</b>	<b>(354)</b>	<b>(11.7)</b>
Income tax expense	(938)	(1,051)	113	(10.8)
<b>Net income</b>	<b>1,737</b>	<b>1,978</b>	<b>(241)</b>	<b>(12.2)</b>

**Attributable to:**

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Telecom Argentina (Controlling Company)	1,725	1,956	(231)	(11.8)
Non-controlling interest	12	22	(10)	(45.5)
	<b>1,737</b>	<b>1,978</b>	<b>(241)</b>	<b>(12.2)</b>
<b>Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)</b>	<b>1.78</b>	<b>2.02</b>		

• **Total revenues and other income**

During 1H16 consolidated total revenues increased 37.4% (+\$6,910 vs. 1H15) amounting to \$25,406 mainly fueled by the mobile services provided by Personal, Broadband and data transmission businesses.

	1H16	1H15	\$	Variation %
<b><u>Services</u></b>				
Retail Voice				
Monthly Charges	1,034	628	406	64.6
Measured Services	1,010	856	154	18.0
Others	48	49	(1)	(2.0)
Wholesale Voice				
Fixed and mobile interconnection	429	314	115	36.6
Others	230	165	65	39.4
Data	1,402	839	563	67.1
Internet	2,838	2,075	763	36.8
<b>Subtotal Fixed Services</b>	<b>6,991</b>	<b>4,926</b>	<b>2,065</b>	<b>41.9</b>
Retail Voice				
Monthly Charges	2,399	1,830	569	31.1
Measured Services	1,015	983	32	3.3
Roaming	163	146	17	11.6
Others	463	300	163	54.3
Wholesale Voice				
Interconnection	725	758	(33)	(4.4)
Roaming	144	154	(10)	(6.5)
Mobile leases	39	17	22	129.4
Data	3,540	3,613	(73)	(2.0)
Internet	4,670	2,689	1,981	73.7
<b>Subtotal Mobile Services - Personal</b>	<b>13,158</b>	<b>10,490</b>	<b>2,668</b>	<b>25.4</b>

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				Variation	
	1H16	1H15	\$		%
Retail Voice					
Monthly Charges	151	111	40		36.0
Measured Services	166	142	24		16.9
Roaming	9	5	4		80.0
Others	79	35	44		125.7
Wholesale Voice					
Interconnection	56	38	18		47.4
Roaming	10	15	(5)		(33.3)
Others	6	3	3		100.0
Data	205	148	57		38.5
Internet	446	261	185		70.9
<b>Subtotal Mobile Services</b> Núcleo	<b>1,128</b>	<b>758</b>	<b>370</b>		<b>48.8</b>
	<b>Revenue from services</b>	<b>21,277</b>	<b>16,174</b>	<b>5,103</b>	<b>31.6</b>
<b>Equipment</b>					
Fixed Services	65	23	42		182.6
Mobile Services- Personal	3,938	2,233	1,705		76.4
Mobile Services Núcleo	126	66	60		90.9
	<b>Revenue from equipment sales</b>	<b>4,129</b>	<b>2,322</b>	<b>1,807</b>	<b>77.8</b>
<b>Total Revenues</b>	<b>25,406</b>	<b>18,496</b>	<b>6,910</b>		<b>37.4</b>

Services revenues amounted to \$21,277 (+31.6% vs. 1H15) and represented 83.7% of consolidated revenues (vs. 87.4% in 1H15). Equipment revenues increased 77.8%, amounting to \$4,129 and represented 16.3% of consolidated revenues (vs. 12.6% in 1H15).

**Fixed Services**

During 1H16, services revenues generated by this segment amounted to \$6,991 (+\$2,605 or +41.9% vs. 1H15), where Internet revenues have grown the most (+\$763 or +36.8% vs. 1H15), followed by data transmission services (+\$563 or +67.1% vs. 1H15) and voice retail services (+\$559 or +36.5% vs. 1H15).

**Ø Voice**

Voice retail revenues reached \$2,092 in 1H16 (+36.5% vs. 1H15). Revenues from regulated services reached approximately 26% of the segment services revenues in 1H16 (same as 1H15).

Monthly Charges and Supplementary Services increased \$406 or +64.6% vs. 1H15, reaching \$1,034, as a consequence of an increase in supplementary services (not regulated), mainly due to a higher monthly charges to commercial customers since

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May 2016 and to the increase in the prices of non regulated supplementary services.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$1,010 (+\$154 or +18.0% vs. 1H15). The increase was mainly due to the increase in plans prices (both in local and long national distance). According to this, local measured service revenues increased 22.6% vs. 1H15 and DLD revenues increased 13.8% vs. 1H15. The Average Monthly Revenue per User ( ARBU ) amounted to \$87.3 pesos per month in 1H16 vs. \$62.5 pesos per month amounted in 1H15, representing an increase of 39.7%. The remaining retail voice revenues amounted to \$48 in 1H16 (slightly lower vs.1H15).

Voice wholesale revenues (including fixed and mobile interconnection revenues and lease of circuits, together with the revenues generated by the subsidiary Telecom USA amounting to \$140) amounted to \$659 in 1H16 (+37.6% vs. 1H15). Interconnection fixed and mobile revenues amounted to \$429 (+\$36.6 vs. 1H15) and the other wholesale revenues amounted to \$230 in 1H16 (+39.4% vs. 1H15), mainly due to higher prices related to cell sites rentals due to the variation of the \$/US\$ exchange rate.

### Ø Data

Data revenues (including the revenues generated by the subsidiary Telecom USA amounting to \$4) amounted to \$1,402 (+\$563 vs. 1H15). These revenues were generated focusing on Telecom Argentina s position as an integrated ICTs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to higher prices of these services related to the variation of the \$/US\$ exchange rate and to the increase in the number of customers of these services (the increase amounted to \$386 vs. 1H15).

### Ø Internet

Internet revenues amounted to \$2,838 (+\$763 or +36.8% vs. 1H15) mainly due to an increase in average prices resulting in an improvement in the Average Monthly Revenue per User ( ARPU ), that amounted to \$254.3 pesos per month in 1H16 vs. \$190.1 pesos per month in 1H15 (+33.8% vs. 1H15). As of June 30, 2016, Telecom Argentina reached approximately 1,798,000 ADSL customers (of which 1,087,000 correspond to +3Mb access vs. 896,000 in 1H15). These connections represent approximately 45.2% of Telecom Argentina s fixed lines in service (vs. 43.9% in 1H15).

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Internet revenues represent 11.2% of consolidated revenues (same as 1H15) and 40.6% of Fixed Services segment revenues (vs. 42.1% in 1H15).

**Personal Mobile Services**

During 1H16, total services revenues amounted to \$13,158 (+\$2,668 or +25.4% vs. 1H15), being the principal business segment in revenues terms (61.8% and 64.9% of services consolidated revenues in 1H16 and 1H15, respectively). Personal reached 20.0 million subscribers in Argentina (+2.8% vs. 1H15). Approximately 67% of the subscriber base is prepaid subscribers and 33% is postpaid subscribers (including Cuentas claras plans and Mobile Internet dongles). The churn rate per month amounted to 2.7% in 1H16 (vs. 3.1% in 1H15).

Ø **Voice**

Voice retail revenues amounted to \$4,040 in 1H16 (+24.0% vs. 1H15). The increase was mainly due to the increase in monthly charges prices in the postpaid and Cuentas claras subscriber base and prepaid services, and due to the net variation of the subscriber base showing an increase in Cuentas claras (+7% vs. 1H15), in postpaid (+3% vs. 1H15), and prepaid subscribers (+2% vs. 1H15).

Voice wholesale revenues amounted to \$908 in 1H16 (-2.3% vs. 1H15), mainly due to the decrease in interconnection traffic volume (especially TLRD and CPP).

Ø **Data**

Mobile data services revenues amounted to \$3,540 (-\$73 or -2.0% vs. 1H15). The decrease was due to lower revenues from the principal item of VAS revenues, SMS consumption, which decreased \$425 as compared to 1H15 (-21.4%), showing a decrease in TOU (-42.0% vs. 1H15). Notwithstanding, this effect was partially offset with a constant increase of the SMS with content sales, as a result of several campaigns launched by Personal, which represented an inter-annual increase of \$304 or +19.8%.

Ø **Internet**

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Mobile Internet revenues amounted to \$4,670 (+\$1,981 or +73.7% vs. 1H15). This increase is mainly explained by the increase in browsing services consumption of Personal s subscribers, which was mainly fueled by the increase in the offer of services, plans and packs (including VAS) launched by Personal. This growth was fueled by new subscribers, the migration of the existing ones to higher-value plans and the increase of subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing in all subscribers segments.

As a consequence of the increase in VAS consumption (Internet and Data), ARPU increased to \$106.2 pesos per month in 1H16 (vs. \$86.4 pesos per month in 1H15), which represents an increase of 22.9%.

VAS revenues (data and Internet) amounted to \$8,210 (+30.3% vs. 1H15) and represented 62.4% of Personal Mobile Services services revenues (vs. 60.1% in 1H15).

### **Núcleo Mobile Services**

This segment generated services revenues equivalent to \$1,128 during 1H16 (+\$370 or +48.8% vs. 1H15) mainly due to the Internet revenues increase (+70.9% vs. 1H15), mainly related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of June 30, 2016, Núcleo s subscriber base reached 2.6 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 80% and 20% in 1H16 and the effect of the appreciation of the Guaraní respect to the Argentine peso reached a 41% (inter-annual).

VAS revenues (data and Internet) amounted to \$651 (+59.2% vs. 1H15) and represented 57.7% of Núcleo Mobile Services segment services revenues (vs. 54.0% in 1H15).

The Telecom Group s services revenues increased 31.6% fueled by a 36.1% increase of data and Internet revenues in all segments vs. 1H15, increasing its relative weight over total services revenues according to the following table:

	<u>Six-month periods ended</u>				<u>1H16 vs.</u>
	<u>June 30,</u>				<u>1H15</u>
	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>%</u>
Voice Retail	6,537	31	5,085	31	28.6
Voice Wholesale	1,639	8	1,464	10	12.0
<b>Total Voice</b>	<b>8,176</b>	<b>39</b>	<b>6,549</b>	<b>41</b>	<b>24.8</b>
Data	5,147	24	4,600	28	11.9
Internet	7,954	37	5,025	31	58.3
<b>Total service revenues</b>	<b>21,277</b>	<b>100</b>	<b>16,174</b>	<b>100</b>	<b>31.6</b>

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Revenues from equipment amounted to \$4,129, +\$1,807 or +77.8% vs. 1H15. This increase is mainly related to the Personal Mobile Services segment with an increase of \$1,705 vs. 1H15 due to higher handsets unit sold (+18% vs. 1H15) with an increase in handset s average sale prices (+50% vs. 1H15), resulting in a higher operating margin of handsets (+\$487 or + 79.8% vs. 1H15).

- Operating costs**

Consolidated operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E totaled \$21,705 in 1H16, which represents an increase of \$6,346 or +41.3% vs. 1H15. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure of the Telecom Group in Argentina, the increase in fees for services related to higher supplier prices, the increase in taxes and fees with the Regulatory Authority, the increase of cost of equipment and handsets and the increase in bad debt expenses, among other concepts.

	Variation				Variation in \$ by segment		
	1H16	1H15	\$	%	Fixed Serv.	Personal M. Serv.	Núcleo M. Serv.
Employee benefit expenses and severance payments	(4,435)	(3,258)	(1,177)	36.1	(914)	(231)	(32)
Interconnection costs and other telecommunication charges	(1,330)	(1,001)	(329)	32.9	(150)	(141)	(38)
Fees for services, maintenance, materials and supplies	(2,335)	(1,869)	(466)	24.9	(277)	(157)	(32)
Taxes and fees with the Regulatory Authority	(2,494)	(1,853)	(641)	34.6	(151)	(476)	(14)
Commissions	(2,524)	(1,909)	(615)	32.2	(40)	(523)	(52)
Agent commissions capitalized as SAC	674	513	161	31.4	6	151	4
Cost of equipment and handsets	(3,139)	(1,777)	(1,362)	76.6	(54)	(1,230)	(78)
Cost of equipment and handsets capitalized as SAC	56	42	14	33.3	-	12	2
Advertising	(371)	(370)	(1)	0.3	15	(2)	(14)
Cost of VAS	(792)	(597)	(195)	32.7	(11)	(167)	(17)
Provisions	(81)	(167)	86	(51.5)	66	20	-
Bad debt expenses	(518)	(281)	(237)	84.3	(37)	(163)	(37)
Other operating expenses	(1,382)	(845)	(537)	63.6	(276)	(233)	(28)
<b>Subtotal</b>	<b>(18,671)</b>	<b>(13,372)</b>	<b>(5,299)</b>	<b>39.6</b>	<b>(1,823)</b>	<b>(3,140)</b>	<b>(336)</b>
Depreciation of PP&E	(1,982)	(1,391)	(591)	42.5	(167)	(305)	(119)
Amortization of SAC and service connection charges	(706)	(457)	(249)	54.5	(17)	(211)	(21)
Amortization of 3G/4G Licenses	(193)	(131)	(62)	47.3	-	(62)	-
Amortization of other intangible assets	(13)	(11)	(2)	18.2	(1)	-	(1)
Gain on disposal of PP&E and impairment of PP&E	(140)	3	(143)	n/a	(3)	(141)	1

Total operating costs	(21,705)	(15,359)	(6,346)	41.3	(2,011)	(3,859)	(476)
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The costs breakdown is as follows:

**Employee benefit expenses and severance payments**

Employee benefit expenses and severance payments amounted to \$4,435 (+\$1,177 or +36.1% vs. 1H15). The increase was mainly due to increases in salaries agreed by Telecom Argentina with several trade unions for the unionized employees and also to non-unionized employees, together with related social security charges. With a total headcount of 16,381 by the end of 1H16 (vs. 16,286 in 1H15), lines in service per employee reached 358 in the Fixed Services segment (-4.5% vs. 1H15), subscribers per employee reached 4,106 in the Personal Mobile Services segment (+6.5% vs. 1H15) and subscribers per employee reached 6,247 (similar than 1H15) in the Núcleo Mobile Services segment.

**Interconnection costs and other telecommunication charges**

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, Interconnection costs, cost of international outbound calls and lease of circuits) amounted to \$1,330 (+\$329 or +32.9% vs. 1H15). The increase was mainly due to higher TLRD and roaming costs.

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

Fees for services, maintenance, materials and supplies amounted to \$2,335, +\$466 or +24.9% vs. 1H15. 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 \$2,494 (+34.6% vs. 1H15), influenced mainly by the increase in revenues of fixed and mobile services and by the increase of the IDC related to higher collections and payments to suppliers and dividends in 1H16 vs. 1H15.



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**Commissions**

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$2,524 (+\$615 or +32.2% vs. 1H15). The increase was mainly due to the increase in Agents' commissions (associated to higher revenues) as a result of higher customer's acquisition and retention costs recognized to them and the increase of outsourced sales commissions and collection commissions.

On the other hand, agent commissions capitalized as SAC amounted to \$674, +\$161 or +31.4% vs. 1H15, and it is directly related to the increase in the Cuentas claras subscribers' base in the Personal Mobile Services segment and the increase in the commissions prices.

**Cost of equipment and handsets**

Cost of equipments and handsets amounted to \$3,139 (+\$1,362 or +76.6% vs. 1H15) mainly due to the increase in the units of handsets sold (+18% vs. 1H15) and the increase in the average unit cost of sales (+49% vs. 1H15) in the Personal Mobile Services segment.

On the other hand, SAC deferred costs from handsets sold amounted to \$56, +\$14 or +33.3% vs. 1H15.

**Advertising**

Advertising amounted to \$371 (+\$1 vs. 1H15).

**Cost of VAS**

Cost of VAS amounted to \$792 (+\$195 or +32.7% vs. 1H15). The increase was mainly due to the increase of VAS sales in the Personal Mobile Services segment, especially the SMS with content service, which grew as a consequence of several campaigns launched by Personal. Cost of VAS over its related revenues increased from 35% in 1H15 to 38% in 1H16.



**Provisions**

Provisions amounted to \$81, -\$86 or -51.5% vs. 1H15. The decrease was mainly due to lower labor claims (-\$6 vs. 1H15), lower civil and commercial claims (-\$51 vs. 1H15) and lower regulatory and municipal contingencies (-\$29 vs. 1H15).

**Bad debt expenses**

Bad debt expenses amounted to \$518 (+\$237 or +84.3% vs. 1H15), representing approximately 2.0% and 1.5% of the consolidated revenues in 1H16 and 1H15, respectively. The major increase is observed in the Personal Mobile Services segment by \$200 as a consequence of higher aging of the accounts receivables and higher incidence of handsets sales directly financed by Personal and Núcleo to its postpaid and Cuentas claras subscribers.

**Other operating costs**

Other operating costs amounted to \$1,382 (+\$537 or +63.6% vs. 1H15). The increase was mainly due to higher prices on related services, especially in transportation, freight and travel expenses (+\$229 or +72.2% vs. 1H15), among others, in the operations in Argentina; the increase of rent prices (+\$124 or +49.4% vs. 1H15), as a result of new agreements and the renegotiation of some of the existing ones and the increase of the consumption of electricity (+\$145 or +83.8% vs. 1H15).

• **Operating income before depreciation and amortization**

Operating income before depreciation and amortization amounted to \$6,755 (+\$1,620 or +31.5% vs. 1H15), representing 26.6% of consolidated revenues in 1H16 (vs. 27.8% in 1H15). This growth was mainly fueled by the Fixed Services segment (+\$280 or +21.2% vs. 1H15) and Personal Mobile Services segment (+\$1,247 or +35.4% vs. 1H15).

Operating income before depreciation and amortization generated by equipment and handset sales (including SAC capitalization) amounted to \$1,046 in 1H16 vs. \$587 in 1H15 (+\$459 or +78.2% vs. 1H15), while operating income before depreciation and amortization generated by services sales amounted to \$5,709 in 1H16 vs. \$4,548 in 1H15 (+\$1,161 or +25.5% vs. 1H15).

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**Depreciation and amortization**

Depreciation and amortization amounted to \$2,894 (+\$904 or +45.4% vs. 1H15). The increase in depreciation and amortization includes \$591 from PP&E depreciation, \$64 from amortization of intangible assets without SAC and \$249 from amortization of SAC and service connection costs. The increase in depreciation and amortization corresponds 21% to the Fixed Services segment and 79% to the mobile services segments.

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

Gain on disposal of PP&E and impairment of PP&E amounted to a loss of \$140 in 1H16 and a gain of \$3 in 1H15 and were mainly related to the Personal Mobile Services segment for the modernization of the mobile access by the development of 4G.

- **Operating income**

Operating income amounted to \$3,721 in 1H16 (+\$573 or +18.2% vs. 1H15). The margin over consolidated revenues represented 14.6% in 1H16 (vs. 17.0% in 1H15). This growth was mainly fueled by the Personal Mobile Services segment (+\$528 or +21.9% vs. 1H15) and the Fixed Services segment (+\$92 or +14.5% vs. 1H15).

- **Financial results, net**

Financial results, net resulted in a net loss of \$1,046, representing an increase of \$927 vs. 1H15. The increase was mainly due to higher net foreign currency exchange losses (+\$416) and higher interests on loans (+\$618) partially offset by higher interests on receivables (+\$61) and higher financial interest on time deposits and other investments (+\$95).

- **Net income**

Telecom Argentina reached a net income of \$1,737 in 1H16, -\$241 or -12.2% as compared to 1H15, representing 6.8% of the consolidated revenues in 1H16 (vs. 10.7% in 1H15). Net income attributable to Telecom Argentina amounted to \$1,725 in 1H16,

-\$231 or -11.8% as compared to 1H15.

- Net financial debt**

As of June 30, 2016, consolidated net financial debt (Cash and Cash Equivalents plus financial investments minus financial debt) amounted to \$5,422, showing an increase of \$4,344 as compared to the consolidated net financial debt as of June 30, 2015 (amounting to \$1,078). This variation was mainly due to a decrease in the generation of cash from operating activities of the Telecom Group, mainly by higher CAPEX and cash dividends paid to its shareholders. As of June 30, 2016, the Fixed Services segment has a net financial debt of \$331, the Personal Mobile Services segment has a net financial debt of \$4,514 and the Núcleo Mobile Services segment has a net financial debt of \$577.

- Capital expenditures (CAPEX)**

CAPEX composition for 1H16 and 1H15 is as follows:

	1H16	1H15	% of participation		Variation	
			1H16	1H15	\$	%
Fixed Services	1,403	908	31%	19%	495	55
Personal Mobile Services	2,781	3,612	62%	77%	(831)	(23)
Núcleo Mobile Services	311	170	7%	4%	141	83
<b>Total CAPEX</b>	<b>4,495</b>	<b>4,690</b>	<b>100%</b>	<b>100%</b>	<b>(195)</b>	<b>(4)</b>

PP&E CAPEX amounted to \$3,641 and intangible assets CAPEX amounted to \$854 in 1H16, while in 1H15 amounted to \$1,826 and \$2,864, respectively (including the acquisition of the last Lot of 4G Licenses for an amount of \$2,256).

In relative terms, CAPEX represented 17.7% of consolidated revenues in 1H16 (25.4% in 1H15), and were intended mainly for the external wiring and network access equipment, to the initial deployment of the new 4G network, transmission and switching equipment, computer equipment and SAC.

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**OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF JUNE 30, 2016**

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PP&E and intangible assets additions (CAPEX plus materials additions) for 1H16 and 1H15 are as follows:

	1H16	1H15	% of participation		Variation	
			1H16	1H15	\$	%
Fixed Services	1,889	1,147	36%	22%	742	65
Personal Mobile Services	3,053	3,851	58%	74%	(798)	(21)
Núcleo Mobile Services	327	186	6%	4%	141	76
<b>Total additions</b>	<b>5,269</b>	<b>5,184</b>	<b>100%</b>	<b>100%</b>	<b>85</b>	<b>2</b>

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

### 3. *Telecom Group s activities for the three-month periods ended June 30, 2016 ( 2Q16 ) and 2015 ( 2Q15 )*

Telecom Group s net income amounted to \$802 in 2Q16, -\$135 or -14.4% vs. 2Q15. Net income attributable to Telecom Argentina amounted to \$800 in 2Q16 (-\$128 or -13.8% vs. 2Q15).

Total revenues and other income increased 34.6% vs. 2Q15 and operating income before depreciation and amortization amounted to \$3,361 (+\$860 or +34.4% vs. 2Q15), representing 26.0% of the consolidated revenues (similar to 2Q15). Operating income amounted to \$1,724 (+\$256 or +17.4% vs. 2Q15). Financial results, net amounted to -\$489 (+\$459 loss vs. 2Q15), while income tax expenses amounted to \$433 (-\$68 or -13.6% vs. 2Q15).

	2Q16	2Q15	Variation	
			\$	%
Revenues	12,951	9,624	3,327	34.6
Other income	9	4	5	125.0
Operating costs without depreciation and amortization	(9,599)	(7,127)	(2,472)	34.7
<b>Operating income before depreciation and amortization</b>	<b>3,361</b>	<b>2,501</b>	<b>860</b>	<b>34.4</b>
Depreciation and amortization	(1,519)	(1,033)	(486)	47.0
Gain on disposal of PP&E and impairment of PP&E	(118)	-	(118)	n/a
<b>Operating income</b>	<b>1,724</b>	<b>1,468</b>	<b>256</b>	<b>17.4</b>
Financial results, net	(489)	(30)	(459)	1,530.0
<b>Income before income tax expense</b>	<b>1,235</b>	<b>1,438</b>	<b>(203)</b>	<b>(14.1)</b>
Income tax expense	(433)	(501)	68	(13.6)
<b>Net income</b>	<b>802</b>	<b>937</b>	<b>(135)</b>	<b>(14.4)</b>

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**Attributable to:**

Telecom Argentina (Controlling Company)	800	928	(128)	(13.8)
Non-controlling interest	2	9	(7)	(77.8)
	<b>802</b>	<b>937</b>	<b>(135)</b>	<b>(14.4)</b>

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

**0.83                      0.96**

During 2Q16 consolidated revenues increased 34.6% (+\$3,327 vs. 2Q15) amounting to \$12,951, mainly fueled by mobile services, Broadband and data in the Fixed Services segment.

<u>Services</u>	2Q16	2Q15	Variation		
			\$	%	
Retail Voice	1,117	788	329	41.8	
Wholesale Voice	307	244	63	25.8	
Data	713	432	281	65.0	
Internet	1,448	1,102	346	31.4	
	<b>Subtotal Fixed Services</b>	<b>3,585</b>	<b>2,566</b>	<b>1,019</b>	<b>39.7</b>
Retail Voice	1,991	1,557	434	27.9	
Wholesale Voice	443	448	(5)	(1.1)	
Data	1,805	1,768	37	2.1	
Internet	2,468	1,501	967	64.4	
	<b>Subtotal Personal Mobile Services</b>	<b>6,707</b>	<b>5,274</b>	<b>1,433</b>	<b>27.2</b>
Retail Voice	204	145	59	40.7	
Wholesale Voice	38	30	8	26.7	
Data	106	68	38	55.9	
Internet	232	132	100	75.8	
	<b>Subtotal Núcleo Mobile Services</b>	<b>580</b>	<b>375</b>	<b>205</b>	<b>54.7</b>
	<b>Total services revenues</b>	<b>10,872</b>	<b>8,215</b>	<b>2,657</b>	<b>32.3</b>

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<b><u>Equipment</u></b>	<b>2Q16</b>	<b>2Q15</b>	<b>Variation</b>	
			<b>\$</b>	<b>%</b>
Fixed Services	32	13	19	146.2
Personal Mobile Services	1,981	1,352	629	46.5
Núcleo Mobile Services	66	44	22	50.0
<b>Total equipment revenues</b>	<b>2,079</b>	<b>1,409</b>	<b>670</b>	<b>47.6</b>
<b>Total revenues</b>	<b>12,951</b>	<b>9,624</b>	<b>3,327</b>	<b>34.6</b>

Consolidated operating costs including depreciation, amortization and gain on disposal of PP&E and impairment of PP&E amounted to \$11,236 in 2Q16, which represented an increase of \$3,076 or +37.7% vs. 2Q15. 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, the increase in taxes and fees with the Regulatory Matters, the increase in equipment and handsets costs, the increase of VAS costs and higher losses on impairment of PP&E, partially offset by lower provisions expenses .

	<b>2Q16</b>	<b>2Q15</b>	<b>Variation</b>	
			<b>\$</b>	<b>%</b>
Employee benefit expenses and severance payments	(2,261)	(1,715)	(546)	31.8
Interconnection costs and other telecommunication charges	(623)	(501)	(122)	24.4
Fees for services, maintenance, materials and supplies	(1,242)	(980)	(262)	26.7
Taxes and fees with the Regulatory Authority	(1,286)	(980)	(306)	31.2
Commissions	(1,293)	(1,086)	(207)	19.1
Agent commissions capitalized as SAC	333	313	20	6.4
Cost of equipment and handsets	(1,605)	(1,117)	(488)	43.7
Cost of equipment and handsets capitalized as SAC	21	22	(1)	(4.5)
Advertising	(179)	(179)	-	-
Cost of VAS	(402)	(304)	(98)	32.2
Provisions	(67)	(74)	7	(9.5)
Bad debt expenses	(263)	(98)	(165)	168.4
Other operating expenses	(732)	(428)	(304)	71.0
<b>Subtotal</b>	<b>(9,599)</b>	<b>(7,127)</b>	<b>(2,472)</b>	<b>34.7</b>
Depreciation of PP&E	(1,049)	(714)	(335)	46.9
Amortization of SAC and service connection charges	(368)	(241)	(127)	52.7
Amortization of 3G/4G Licenses	(95)	(72)	(23)	31.9
Amortization of other intangible assets	(7)	(6)	(1)	16.7
Gain on disposal of PP&E and impairment of PP&E	(118)	-	(118)	n/a
<b>Total operating costs</b>	<b>(11,236)</b>	<b>(8,160)</b>	<b>(3,076)</b>	<b>37.7</b>

CAPEX amounted to \$2,593 in 2Q16 and amounted to \$3,826 in 2Q15 (including \$2,256 related to the acquisition of Lot 8 of 4G Spectrum).

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

	2016	2015	June 30, 2014	2013	2012
Current assets	12,559	7,983	8,346	8,987	5,277
Non-current assets	29,118	22,988	15,309	11,089	10,012
<b>Total assets</b>	<b>41,677</b>	<b>30,971</b>	<b>23,655</b>	<b>20,076</b>	<b>15,289</b>
Current liabilities	21,099	12,277	8,695	6,801	5,019
Non-current liabilities	2,991	2,821	2,094	1,729	1,620
<b>Total liabilities</b>	<b>24,090</b>	<b>15,098</b>	<b>10,789</b>	<b>8,530</b>	<b>6,639</b>
Equity attributable to Telecom Argentina (Controlling Company)	17,074	15,537	12,538	11,349	8,503
Equity attributable non-controlling interest	513	336	328	197	147
<b>Total Equity</b>	<b>17,587</b>	<b>15,873</b>	<b>12,866</b>	<b>11,546</b>	<b>8,650</b>
<b>Total liabilities and equity</b>	<b>41,677</b>	<b>30,971</b>	<b>23,655</b>	<b>20,076</b>	<b>15,289</b>

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

	2Q16	2Q15	2Q14	2Q13	2Q12	1H16	1H15	1H14	1H13	1H12
Revenues and other income	12,960	9,628	8,139	6,653	5,259	25,426	18,507	15,615	12,726	10,389
Operating costs	(11,236)	(8,160)	(6,898)	(5,708)	(4,410)	(21,705)	(15,359)	(12,997)	(10,666)	(8,507)
<b>Operating income</b>	<b>1,724</b>	<b>1,468</b>	<b>1,241</b>	<b>945</b>	<b>849</b>	<b>3,721</b>	<b>3,148</b>	<b>2,618</b>	<b>2,060</b>	<b>1,882</b>
Financial results, net	(489)	(30)	186	79	51	(1,046)	(119)	154	214	112
<b>Income before income tax expense</b>	<b>1,235</b>	<b>1,438</b>	<b>1,427</b>	<b>1,024</b>	<b>900</b>	<b>2,675</b>	<b>3,029</b>	<b>2,772</b>	<b>2,274</b>	<b>1,994</b>
Income tax expense	(433)	(501)	(497)	(362)	(314)	(938)	(1,051)	(936)	(799)	(700)
<b>Net income</b>	<b>802</b>	<b>937</b>	<b>930</b>	<b>662</b>	<b>586</b>	<b>1,737</b>	<b>1,978</b>	<b>1,836</b>	<b>1,475</b>	<b>1,294</b>
Other comprehensive income, net of tax	51	(49)	27	(34)	(4)	240	(49)	233	29	21
<b>Total comprehensive income</b>	<b>853</b>	<b>888</b>	<b>957</b>	<b>628</b>	<b>582</b>	<b>1,977</b>	<b>1,929</b>	<b>2,069</b>	<b>1,504</b>	<b>1,315</b>
Attributable to Telecom Argentina (Controlling Company)	833	895	934	631	574	1,880	1,923	1,957	1,473	1,289
Attributable to non-controlling interest	20	(7)	23	(3)	8	97	6	112	31	26

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	1H16		1H15		1H14		1H13		1H12	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Equipment lines	3,551	-	3,551	-	3,528	-	3,823	15	3,804	4
NGN lines	1,378	12	1,295	18	1,184	8	1,108	16	987	32
Installed lines (a)	<b>4,929</b>	<b>12</b>	<b>4,846</b>	<b>18</b>	<b>4,712</b>	<b>8</b>	<b>4,931</b>	<b>31</b>	<b>4,791</b>	<b>36</b>
Lines in service (b)	3,974	(36)	4,064	(13)	4,103	(5)	4,114	5	4,148	10
Customers lines (c)	3,901	(35)	3,989	(12)	4,025	(3)	4,033	6	4,064	10
Public phones installed	25	(1)	28	(1)	31	(2)	35	(1)	39	-
Lines in service per 100 inhabitants (d)	18.6	-	19.3	-	19.7	-	19.9	-	20.3	-
Lines in service per employee (e)	358	(7)	375	5	371	(2)	373	2	370	-

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



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- (b) Includes customers lines, own lines, public telephones and DDE and ISDN channels.
- (c) The number of customers is measured in relation to the physical occupation of network resources.
- (d) Corresponding to the Northern Region of Argentina.
- (e) Defined as lines in service / number of actual employees.

**Internet (in thousands)**

	1H16		1H15		1H14		1H13		1H12	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
<b>Total ADSL subscribers</b>	1,798	(11)	1,786	18	1,726	12	1,634	8	1,594	2

v **Mobile services**

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

	1H16		1H15		1H14		1H13		1H12	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Post-paid subscribers (i)	2,122	(10)	2,063	30	2,303	(62)	2,437	22	2,296	70
Cuentas claras plans (i)	4,300	25	4,010	72	3,853	(3)	3,644	61	3,232	56
Prepaid subscribers (ii)	13,422	252	13,213	(4)	13,407	(54)	12,905	142	12,714	42
Dongles (iii)	113	(4)	132	(12)	213	(18)	321	(32)	481	8
<b>Total subscribers</b>	<b>19,957</b>	<b>253</b>	<b>19,418</b>	<b>86</b>	<b>19,776</b>	<b>(137)</b>	<b>19,307</b>	<b>193</b>	<b>18,723</b>	<b>176</b>
<b>Lines per employee</b>	<b>4,106</b>	<b>-</b>	<b>3,854</b>	<b>-</b>	<b>3,912</b>	<b>-</b>	<b>3,680</b>	<b>-</b>	<b>3,651</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, Cuentas claras and prepaid contracts.

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

	1H16		1H15		1H14		1H13		1H12	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Post-paid subscribers (i)	26	(1)	29	1	29	1	29	-	29	(1)
Plan control subscribers (i)	398	5	345	13	308	4	278	8	238	11
Prepaid subscribers (ii)	2,044	(1)	2,021	-	1,904	(25)	1,906	18	1,849	20
Dongles (iii)	87	(8)	118	(5)	141	(6)	162	20	119	9
<b>Subtotal mobile</b>	<b>2,555</b>	<b>(5)</b>	<b>2,513</b>	<b>9</b>	<b>2,382</b>	<b>(26)</b>	<b>2,375</b>	<b>46</b>	<b>2,235</b>	<b>39</b>
Internet subscribers - Wimax	5	(1)	5	-	5	-	6	-	7	-
<b>Total subscribers</b>	<b>2,560</b>	<b>(6)</b>	<b>2,518</b>	<b>9</b>	<b>2,387</b>	<b>(26)</b>	<b>2,381</b>	<b>46</b>	<b>2,242</b>	<b>39</b>
<b>Lines per employee (iv)</b>	<b>6,247</b>	<b>-</b>	<b>6,220</b>	<b>-</b>	<b>5,618</b>	<b>-</b>	<b>5,422</b>	<b>-</b>	<b>5,174</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

	1H16	1H15	1H14	1H13	1H12
Liquidity (1)	0.60	0.65	0.96	1.32	1.05
Solvency (2)	0.73	1.05	1.19	1.35	1.30
Locked-up capital (3)	0.70	0.74	0.65	0.55	0.65

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

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**TELECOM ARGENTINA S.A.**

**8. Outlook**

A new political, economic and regulatory environment for the telecommunications industry is being developed in 2016. Activity levels will continue depending on the country's macroeconomic situation and, in particular, on the purchasing power and levels of consumption of our customers. We are aware that in the first half of 2016 readjustments in prices of many goods and services were implemented as a result of their adaptation to changes in the US dollar exchange rate, after certain exchange restrictions were eliminated and the subsidy policy of several public services was reduced. However, a deceleration of the inflation rate is expected during the second half of 2016 as a consequence of the increase in the interest rates and other monetary policy measures adopted by the Central Bank of Argentina. Also, the announcement made by the National Government of the voluntary declaration of possession of property creates favorable expectations to the public treasury aiming a reactivation of the economic activity for the last quarter of 2016 and during 2017.

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

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

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

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

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

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

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

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(In millions of Argentine pesos)

	<u>Note</u>	<u>June 30.</u> <u>2016</u>	<u>December 31.</u> <u>2015</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	489	870
Investments	2	751	1,430
Trade receivables	2	7,731	5,663
Other receivables	2	1,119	1,336
Inventories	2	2,469	2,193
<b>Total current assets</b>		<b>12,559</b>	<b>11,492</b>
<b>Non-Current Assets</b>			
Trade receivables	2	351	481
Income tax assets	2	344	265
Other receivables	2	345	272
Investments	2	85	333
Property, plant and equipment ( PP&E )	2	20,375	17,963
Intangible assets	2	7,618	7,659
<b>Total non-current assets</b>		<b>29,118</b>	<b>26,973</b>
<b>TOTAL ASSETS</b>		<b>41,677</b>	<b>38,465</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables	2	10,030	9,873
Deferred revenues	2	385	477
Financial debt	2	6,398	3,451
Salaries and social security payables	2	1,261	1,261
Income tax payables	2	568	439
Other taxes payables	2	884	1,153
Dividends payable	2	1,300	-
Other liabilities	2	53	53
Provisions	6	220	207
<b>Total current liabilities</b>		<b>21,099</b>	<b>16,914</b>
<b>Non-Current Liabilities</b>			
Trade payables	2	31	52
Deferred revenues	2	458	457
Financial debt	2	348	1,449
Salaries and social security payables	2	144	157
Deferred income tax liabilities	2	601	550
Income tax payables	2	8	10
Other liabilities	2	125	101
Provisions	6	1,276	1,165
<b>Total non-current liabilities</b>		<b>2,991</b>	<b>3,941</b>
<b>TOTAL LIABILITIES</b>		<b>24,090</b>	<b>20,855</b>
<b>EQUITY</b>			
Equity attributable to Telecom Argentina (Controlling Company)		<b>17,074</b>	<b>17,194</b>

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Equity attributable to non-controlling interest		513	416
<b>TOTAL EQUITY</b> (see <i>Unaudited Condensed Consolidated Statement of Changes in Equity</i> )	<b>7</b>	<b>17,587</b>	<b>17,610</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>41,677</b>	<b>38,465</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 INCOME STATEMENTS**

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

	<u>Note</u>	<u>Three-month periods</u> <u>ended June 30,</u>		<u>Six-month periods</u> <u>ended June 30,</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues	2	12,951	9,624	25,406	18,496
Other income	2	9	4	20	11
<b>Total revenues and other income</b>		<b>12,960</b>	<b>9,628</b>	<b>25,426</b>	<b>18,507</b>
Employee benefit expenses and severance payments	2	(2,261)	(1,715)	(4,435)	(3,258)
Interconnection costs and other telecommunication charges	2	(623)	(501)	(1,330)	(1,001)
Fees for services, maintenance, materials and supplies	2	(1,242)	(980)	(2,335)	(1,869)
Taxes and fees with the Regulatory Authority	2	(1,286)	(980)	(2,494)	(1,853)
Commissions	2	(960)	(773)	(1,850)	(1,396)
Cost of equipments and handsets	2	(1,584)	(1,095)	(3,083)	(1,735)
Advertising	2	(179)	(179)	(371)	(370)
Cost of VAS	2	(402)	(304)	(792)	(597)
Provisions	6	(67)	(74)	(81)	(167)
Bad debt expenses	2	(263)	(98)	(518)	(281)
Other operating expenses	2	(732)	(428)	(1,382)	(845)
Depreciation and amortization	2	(1,519)	(1,033)	(2,894)	(1,990)
Gain on disposal of PP&E and impairment of PP&E	2	(118)	-	(140)	3
<b>Operating income</b>		<b>1,724</b>	<b>1,468</b>	<b>3,721</b>	<b>3,148</b>
Finance income	2	131	161	483	266
Finance expenses	2	(620)	(191)	(1,529)	(385)
<b>Income before income tax expense</b>		<b>1,235</b>	<b>1,438</b>	<b>2,675</b>	<b>3,029</b>
Income tax expense	2	(433)	(501)	(938)	(1,051)
<b>Net income for the period</b>		<b>802</b>	<b>937</b>	<b>1,737</b>	<b>1,978</b>
<b>Attributable to:</b>					
Telecom Argentina (Controlling Company)		800	928	1,725	1,956
Non-controlling interest		2	9	12	22
		<b>802</b>	<b>937</b>	<b>1,737</b>	<b>1,978</b>
<b>Earnings per share attributable to Telecom Argentina basic and diluted</b>	<b>1.d</b>	<b>0.83</b>	<b>0.96</b>	<b>1.78</b>	<b>2.02</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>Six-month periods</u>	
	<u>ended June 30,</u>		<u>ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Net income for the period</b>	<b>802</b>	<b>937</b>	<b>1,737</b>	<b>1,978</b>
<b>Other components of the Statements of Comprehensive Income</b>				
Currency translation adjustments (non-taxable)	52	(49)	248	(49)
Subsidiaries' NDF effects classified as hedges	(1)	-	(8)	-
<b>Other components of the comprehensive income, net of tax</b>	<b>51</b>	<b>(49)</b>	<b>240</b>	<b>(49)</b>
<b>Total comprehensive income for the period</b>	<b>853</b>	<b>888</b>	<b>1,977</b>	<b>1,929</b>
<b>Attributable to:</b>				
Telecom Argentina (Controlling Company)	833	895	1,880	1,923
Non-controlling interest	20	(7)	97	6
	<b>853</b>	<b>888</b>	<b>1,977</b>	<b>1,929</b>

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

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

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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)						
	Outstanding shares		Treasury shares		Treasury shares acquisition cost (2)	Legal	Special for IFRS implementation	Reserves			For future cash dividends payments
	Capital nominal value (1)	Inflation adjustment	Capital nominal value (1) (2)	Inflation adjustment (2)				Voluntary for capital investments (2)	Voluntary for future investments		
<b>Balances as of January 1, 2015</b>	<b>969</b>	<b>2,646</b>	<b>15</b>	<b>42</b>	<b>(461)</b>	<b>734</b>	<b>351</b>	<b>3,191</b>	<b>2,904</b>	<b>-</b>	
Dividends of Nucleo (3)	-	-	-	-	-	-	-	-	-	-	
Dividends (4)	-	-	-	-	-	-	-	-	-	-	
Reserve for future cash dividends payments (4)	-	-	-	-	-	-	-	-	-	2,869	
<u>Comprehensive income:</u>											
Net income for the period	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Balances as of June 30, 2015</b>	<b>969</b>	<b>2,646</b>	<b>15</b>	<b>42</b>	<b>(461)</b>	<b>734</b>	<b>351</b>	<b>3,191</b>	<b>2,904</b>	<b>2,869</b>	
<b>Balances as of January 1, 2016</b>	<b>969</b>	<b>2,646</b>	<b>15</b>	<b>42</b>	<b>(461)</b>	<b>734</b>	<b>351</b>	<b>3,191</b>	<b>2,904</b>	<b>2,869</b>	
Reserve for future cash dividends payments (5)	-	-	-	-	-	-	-	-	-	3,403	
Dividends (6)	-	-	-	-	-	-	-	-	-	(2,000)	
<u>Comprehensive income:</u>											
Net income for the period	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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<b>Balances as of</b>										
<b>June 30, 2016</b>	<b>969</b>	<b>2,646</b>	<b>15</b>	<b>42</b>	<b>(461)</b>	<b>734</b>	<b>351</b>	<b>3,191</b>	<b>2,904</b>	<b>4,272</b>

(1) As of June 30, 2016 and 2015, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of the same dates, 15,221,373 were treasury shares.

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

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

(4) As approved by the Ordinary Shareholders Meeting of the Company held on April 29, 2015.

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

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

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)

		<b><u>Six-month periods</u></b>	
		<b><u>ended June 30.</u></b>	
	<b><u>Note</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net income for the period		1,737	1,978
<b>Adjustments to reconcile net income to net cash flows provided by operating activities</b>			
Bad debt expenses	2	518	281
Allowance for obsolescence of inventories, materials and other deducted from assets		38	13
Depreciation of PP&E	2	1,982	1,391
Amortization of intangible assets	2	912	599
Consumption of materials	2	217	138
Gain on disposal of PP&E and impairment of PP&E	2	140	(3)
Net book value of disposals of PP&E		11	-
Provisions	6	81	167
Other financial losses		620	85
Income tax expense	2	938	1,051
Income tax paid	3	(838)	(870)
Net increase in assets	3	(2,531)	(689)
Net decrease in liabilities	3	(614)	(308)
<b>Total cash flows provided by operating activities</b>	<b>3</b>	<b>3,211</b>	<b>3,833</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
PP&E acquisitions	3	(4,261)	(2,026)
Acquisition of 4G License	3	-	(2,256)
Intangible assets acquisitions	3	(793)	(548)
Proceeds from the sale of PP&E		10	12
Investments not considered as cash and cash equivalents	3	1,137	(502)
<b>Total cash flows used in investing activities</b>		<b>(3,907)</b>	<b>(5,320)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Proceeds from financial debt	3	1,991	2,602
Payment of financial debt	3	(363)	(12)
Payment of interest and related costs	3	(667)	(85)
Payment of cash dividends and related tax withholdings	3	(701)	(824)
<b>Total cash flows provided by financing activities</b>		<b>260</b>	<b>1,681</b>
<b><u>NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</u></b>			
		<b>55</b>	<b>9</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(381)</b>	<b>203</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>870</b>	<b>684</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>489</b>	<b>887</b>

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

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

**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 JUNE 30, 2016 AND 2015**

(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.

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

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

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

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

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

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

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

*CPP*: Calling Party Pays.

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

*D&A*: Depreciation and amortization.

*DLD*: Domestic long-distance.

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

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

*IAS*: International Accounting Standards.

*IASB*: International Accounting Standards Board.

*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.

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

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

*Micro Sistemas*: Micro Sistemas S.A.

*NDF*: Non-Deliverable Forward.

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

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**TELECOM ARGENTINA S.A.**

*Núcleo:* Núcleo S.A.

*NYSE:* New York Stock Exchange.

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

*Personal:* Telecom Personal S.A.

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

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

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

*RT:* Technical resolutions issued by the FACPCE.

*RT 26:* Technical resolution No. 26 issued by the FACPCE, amended by RT 29 and RT 43.

*SAC:* Subscriber Acquisition Costs.

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

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

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

*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.

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

*Telecom USA*: Telecom Argentina USA Inc.

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

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

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

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 RT43) and in accordance with IFRS as issued by the IASB, as adopted by the CPCECABA.

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

As of June 30, 2016, entities included in the consolidation process and the respective equity interest owned by Telecom Argentina is presented as follows:

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

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

(ii) Dormant entity as of June 30, 2016 and December 31, 2015 and for the six-month periods ended June 30, 2016 and 2015.

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

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

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

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

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

Publication of these consolidated financial statements for the period ended June 30, 2016 was approved by resolution of the Board of Directors' meeting held on August 9, 2016.

**b) Financial statement formats**

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

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

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**TELECOM ARGENTINA S.A.**

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

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

**c) Segment reporting**

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

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

Information regarding segment reporting is included in Note 4.

**d) Net income per share**



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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 six-month periods ended June 30, 2016 and 2015, the weighted average number of shares outstanding totaled 969,159,605 shares, respectively.

### 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 is worth mentioning that if at any time an economy qualifies as hyperinflationary as a result of the qualitative and quantitative assessment established by paragraph 3 of IAS 29, the restatement of financial statements must be made retroactively from the date of the revaluation used as deemed cost (February 2003 for entities of Telecom Group located in Argentina) or from the acquisition date for assets acquired after that date.

In compliance with the provisions of IAS 29, 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.

Although the standard does not establish an absolute rate at which hyperinflation is deemed to arise, usually a cumulative inflation rate over three years approaching or exceeding 100% is used as reference in conjunction with 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.

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Therefore, for year 2015 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. It is worth mentioning that this simplified procedure as provided in paragraph 17 of IAS 29 was 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:

	<u>2013</u>	<u>2014</u>	<u>2015 (*)</u>
<b><u>Consumer Price Variation</u></b>			
Annual	10.9%	23.9%	20.6%
3 years accumulated	34.7%	52.4%	65.8%
<b><u>Internal Wholesale Price Variation</u></b>			
Annual	14.8%	28.3%	19.2%
3 years accumulated	46.2%	66.5%	75.4%

(\*) Consumer Price Index and Internal Wholesale Price Index published by the INDEC until October 2015 were 11.9% and 10.6% respectively. These rates (which contain ten months accumulated), were complemented with November and December 2015 Consumer Price Index average rates for these two months published by the Province of San Luis and the City of Buenos Aires (7.8%). As of the date of these Financial Statements we have taken note that the INDEC will not publish Internal Wholesale Price Index for November and December 2015 nor they will review the inflation rates for prior periods.

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. Based on the analysis made at December 31, 2015 and with the evidence available as of the date of issuance of the consolidated financial statements then ended, the Company's Management concluded that Argentina did not qualify as a hyperinflationary country in terms of IAS 29.

Under US GAAP the Argentine economy was not considered highly inflationary at December 31, 2015 according with the conclusions of the International Practices Task Force (IPTF) dated May 2016, to which the Company has had access. An extract of the meeting held in November 2015, stated the following: *The SEC staff noted the IMF's concerns on the accuracy of the inflation data. However, the SEC staff noted that they have not observed objectively verifiable data that would indicate the economy of Argentina is highly-inflationary at December 31, 2015. The staff would expect registrants to monitor the level of inflation, in combination with other pertinent factors and data points, in determining whether Argentina should be considered a highly-inflationary economy.*

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While there may be differences in the definition of a hyperinflationary environment between IFRS and US GAAP, the Company believes that the assessment of the macroeconomic situation of a country should be substantially similar under both accounting frameworks and, therefore, considers that the IPTF conclusion is consistent with the conclusions arrived in the analysis made by the Company's Management.

Additionally, while the CNV required public companies the full implementation of IFRS-as issued by the IASB- from periods beginning on January 1st, 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 first semester 2016

The indexes published by the INDEC as from May 2016 (a variation for the six month period ended June 30, 2016 of 25.2 % for the IPC and 26.8% for the IPIM and a variation for the three-year period of approximately 98.3% for the IPC and approximately 108.2% for the IPIM) have shown high level of inflation that reflects among other factors the impact on internal price due to the devaluation of the Argentine peso against the US dollar since December 2015, the elimination of exchange rate restrictions and the increase of the public service rates allowed by the Government after more than ten years of rate freezing.

All these qualitative and quantitative circumstances, require that issuers, regulatory authorities both in Argentina and abroad, and the accounting profession reach a conclusion whether the Argentine economy qualifies as hyperinflationary under the terms of IAS 29 for the year 2016. Discussions on this matter have been recently initiated among the players involved in the assessment process and it is expected that resolutions will be reached before the issuance of the annual financial statements as of December 31, 2016.

Company's Management believes that the periodic assessment of the macroeconomic environment of the countries in which it operates and the possible restatement of financial statements in accordance to IAS 29, represent an element of care and concern for investors, analysts and regulators of capital markets where Argentine companies list their equity and debt securities, related to the impact that such restatement might have on their financial position and results of operations of Argentine companies, including the Telecom Group.

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In the case that IAS 29 should be applied in Argentina during year 2016 as a result of the consensus reached by the Argentine accounting profession and the regulatory authorities both in Argentina and abroad, Management of the Company has performed an aggregate estimation of its effects taking into account that the restatement for inflation should be made from February 2003 only for Argentine entities of the Group and using the IPIM evolution published by the INDEC (which increased approximately 477% in the period February 2003 - June 2016, assuming an inflation rate of 7.8% for November - December 2015 period as explained above).

The table below shows the evolution of the consolidated shareholders' equity estimating that IAS 29 is applied for the years 2014, 2015 and for the six-month period ended June 30, 2016:

<b><u>Consolidated statements of changes in equity restated for inflation according with IAS 29 (*)</u></b>	<b>6.30.16</b>	<b>12.31.15</b>	<b>12.31.14</b>
(in billions of Argentine pesos and in constant currency as of June 30, 2016) (figures not covered by the limited review of the independent external auditors)			
<b>Equity at the beginning of the year</b>	<b>33.2</b>	<b>31.7</b>	<b>31.1</b>
<b>Dividends</b>	<b>(2.2)</b>	<b>(1.3)</b>	<b>(2.1)</b>
Net income	0.5	2.7	2.7
Other Comprehensive Results	(0.1)	0.1	-
<b>Comprehensive Income</b>	<b>0.4</b>	<b>2.8</b>	<b>2.7</b>
<b>Equity at the end of the period/year</b>	<b>31.4</b>	<b>33.2</b>	<b>31.7</b>
<i>Capital + Adjustment of Capital</i>	<i>21.2</i>	<i>21.2</i>	<i>21.2</i>
<i>Treasury shares acquisition cost</i>	<i>(0.9)</i>	<i>(0.9)</i>	<i>(0.9)</i>
<i>Reserves + Retained Earnings</i>	<i>10.7</i>	<i>12.4</i>	<i>11.0</i>
Other Comprehensive Results	(0.1)	-	(0.1)
<b>Attributable to Telecom Argentina (Controlling Company)</b>	<b>30.9</b>	<b>32.7</b>	<b>31.2</b>
<b>Attributable to non-controlling interest</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

(\*) These figures represent the best estimation of the Company's Management as of the date of these Consolidated Financial Statements. An estimation of restatement of financial statements with more detail and precision as required by IAS 29 could generate different figures. However, the Company's Management believes that figures would be similar to those presented in the table above with the same trends of impacts. The estimation includes the effect of adjustment for inflation not taxable/ deductible under income tax law, which was recorded as a temporary difference resulting in a deferred tax liability.

In connection with the impact of IAS 29 in the results of the periods presented, there are no significant impacts identified regarding Operating income before depreciation and amortization to Revenues ratio. Depreciations and amortizations increase its relative weight to Revenues and the Financial results are impacted by the Result from exposure to inflation, which is positive (gain) in all periods presented due to the Net monetary liability position of the Telecom Group.

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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 accounting profession will perform with regards to the uniform application of IAS 29 together with other issuers that apply IFRS in the Argentine Republic.

### NOTE 2 BREAKDOWN OF THE MAIN ACCOUNTS

<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b><u>June 30.</u></b>	<b><u>December 31.</u></b>
<b>CURRENT ASSETS</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>a) Cash and cash equivalents</b>		
Cash	34	25
Banks	206	231
Time deposits	249	217
Other short-term investments	-	397
	<b>489</b>	<b>870</b>
<b>b) Investments</b>		
Government bonds at fair value	693	616
Government bonds at fair value US dollar linked	-	576
Government bonds at amortized cost US dollar linked	-	133
Provincial and Municipal government bonds at amortized cost US dollar linked	24	74
Provincial and Municipal government bonds at amortized cost	34	31
	<b>751</b>	<b>1,430</b>

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	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>c) Trade receivables</b>		
Fixed Services	1,778	1,449
Personal Mobile Services Services sales	3,037	2,659
Personal Mobile Services Equipment sales	3,199	1,759
Núcleo Mobile Services	260	182
<b>Subtotal</b>	<b>8,274</b>	<b>6,049</b>
Allowance for doubtful accounts	(543)	(386)
	<b>7,731</b>	<b>5,663</b>

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

	<u>Six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
<b>At the beginning of the year</b>	<b>(386)</b>	<b>(292)</b>
Additions Bad debt expenses	(518)	(281)
Uses	364	244
Currency translation adjustments	(3)	-
<b>At the end of the period</b>	<b>(543)</b>	<b>(329)</b>

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>d) Other receivables</b>		
Prepaid expenses	582	346
NDF	225	466
Expenses reimbursement		