

TELECOM ARGENTINA SA  
Form 6-K  
May 17, 2013

# 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 May 2013

Commission File Number: 001-13464

# Telecom Argentina S.A.

(Translation of registrant's name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

Yes  No

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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 MARCH 31, 2013**

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TELECOM ARGENTINA S.A.

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2013 AND 2012**

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## TELECOM ARGENTINA S.A.

**OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013**

(In millions of Argentine pesos or as expressly indicated)

**1. General considerations**

As required by CNV regulations, the Company has prepared its consolidated financial statements as of March 31, 2013 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

**2. Telecom Group's activities for the three-month periods ended March 31, 2013 ( 1Q13 ) and 2012 ( 1Q12 )**

Total revenues and other income for 1Q13 amounted to \$6,073 (+18% vs. 1Q12), operating costs including depreciations, amortizations and gain on disposal of PP&E amounted to \$4,958 (+21% vs. 1Q12), operating income before depreciation and amortization amounted to \$1,799 representing 30% of consolidated revenues (+9% vs. 1Q12), operating income amounted to \$1,115 (+8% vs. 1Q12) and net income amounted to \$813 (+15% vs. 1Q12). Net income attributable to Telecom Argentina amounted to \$802 in 1Q13 (+15% vs. 1Q12).

	1Q13	1Q12	Variation	
			\$	%
Revenues	6,064	5,126	938	18
Other income	9	4	5	125
Operating costs without depreciation and amortization	(4,274)	(3,483)	(791)	23
<b>Operating income before depreciation and amortization</b>	<b>1,799</b>	<b>1,647</b>	<b>152</b>	<b>9</b>
Depreciation and amortization	(691)	(615)	(76)	12
Gain on disposal of PP&E	7	1	6	600
<b>Operating income</b>	<b>1,115</b>	<b>1,033</b>	<b>82</b>	<b>8</b>
Financial results, net	135	61	74	121
<b>Net income before income tax expense</b>	<b>1,250</b>	<b>1,094</b>	<b>156</b>	<b>14</b>
Income tax expense	(437)	(386)	(51)	13
<b>Net income</b>	<b>813</b>	<b>708</b>	<b>105</b>	<b>15</b>
<b>Attributable to:</b>				
Telecom Argentina (Controlling Company)	802	698	104	15
Non-controlling interest	11	10	1	10
	<b>813</b>	<b>708</b>	<b>105</b>	<b>15</b>
<b>Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)</b>	<b>0.81</b>	<b>0.71</b>		

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**Total revenues and other income**

During 1Q13 consolidated total revenues increased 18% (+\$938 vs. 1Q12) amounting to \$6,064 mainly fueled by the Broadband, data transmission and mobile businesses, while consolidated other income increased 125% (+\$5 vs. 1Q12), mainly due to penalties imposed to vendors in the Fixed Services segment.

	1Q13	1Q12	Variation	
			\$	%
<b><u>Services</u></b>				
Voice Retail	629	607	22	4
Voice Wholesale	185	175	10	6
Internet	575	458	117	26
Data	213	163	50	31
<b>Subtotal fixed services</b>	<b>1,602</b>	<b>1,403</b>	<b>199</b>	<b>14</b>
Voice Retail	1,214	1,077	137	13
Voice Wholesale	448	425	23	5
Internet	391	276	115	42
Data	1,615	1,323	292	22
<b>Subtotal Personal mobile services</b>	<b>3,668</b>	<b>3,101</b>	<b>567</b>	<b>18</b>
Voice Retail	87	86	1	1
Voice Wholesale	22	18	4	22
Internet	62	26	36	138
Data	78	63	15	24
<b>Subtotal Núcleo mobile services</b>	<b>249</b>	<b>193</b>	<b>56</b>	<b>29</b>
<b>Total services revenues</b>	<b>5,519</b>	<b>4,697</b>	<b>822</b>	<b>18</b>
<b><u>Equipment</u></b>				
Fixed services	14	18	(4)	(22)
Personal mobile services	518	405	113	28
Núcleo mobile services	13	6	7	117
<b>Total equipment revenues</b>	<b>545</b>	<b>429</b>	<b>116</b>	<b>27</b>
<b>Total revenues</b>	<b>6,064</b>	<b>5,126</b>	<b>938</b>	<b>18</b>

**OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013**

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**TELECOM ARGENTINA S.A.**

Services revenues amounted to \$5,519 (+18% vs. 1Q12) and represented 91% of consolidated revenues (similar to 1Q12). Equipment revenues increased 27%, amounting to \$545 and represented 9% of consolidated revenues (similar to 1Q12).

**Fixed services**

During 1Q13, services revenues generated by this segment amounted to \$1,602, +\$199 or 14% vs. 1Q12, where Internet revenues have grown the most (+\$117 or 26% vs. 1Q12), followed by data transmission (+\$50 or 31% vs. 1Q12) and voice retail services (+\$22 or 4% vs. 1Q12).

**Voice**

Voice retail revenues amounted to \$629 in 1Q13 (+4% vs. 1Q12). The results of this line of business are still affected by frozen tariffs of regulated services. Revenues from regulated services reached approximately 34% of the segment revenues in 1Q13 (vs. 39% in 1Q12).

Monthly Charges and Supplementary Services increased \$17 or 7% vs. 1Q12, to \$269, as a consequence of an increase in supplementary services (not regulated), mainly due to an increase of their prices and of the subscriber base.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$329, (+\$13 or 4% vs. 1Q12), mainly due to the increase of domestic plans and the positive effect of the flat rate packs sales. In relative terms, revenues from local measured service increased the most with 7% vs. 1Q12 and followed by DLD revenues (+5% vs. 1Q12).

Voice wholesale revenues (including fixed and mobile interconnection revenues, together with the revenues generated by the subsidiary Telecom USA amounting to \$15) amounted to \$185 in 1Q13 (+6% vs. 1Q12). Interconnection fixed and mobile revenues amounted to \$113 (a slightly increase vs. 1Q12 as a result of an increase in the domestic traffic). The other wholesale revenues amounted to \$72 in 1Q13 (+18% vs. 1Q12).

**Internet**

Internet revenues amounted to \$575 (+\$117 or 26% vs. 1Q12) mainly due to the expansion of the Broadband service (+4% of customers vs. 1Q12) and an increase in average prices resulting in an improvement in the Average Monthly Revenue per User ( ARPU ), that amounted to \$114.9 pesos in 1Q13 vs. \$95.6 pesos in 1Q12). As of March 31, 2013, Telecom Argentina reached approximately 1,626,000 ADSL customers. These connections represent approximately 40% of Telecom Argentina s fixed lines in service (vs. 38% in 1Q12).

Internet revenues represent 10% of consolidated revenues (similar to 1Q12) and 36% of fixed services segment revenues (vs. 33% in 1Q12).

**Data**

Data transmission revenues amounted to \$213 (+\$50 vs. 1Q12), where the focus was to strengthen Telecom Argentina s position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was mainly due to the growth of Integra and VPN IP services (private data networks services that replaces the point to point services).

**Personal Mobile Services**

During 1Q13, total services revenues amounted to \$3,668, +\$567 or 18% vs. 1Q12, being the principal business segment in revenues terms (60% of consolidated revenues in 1Q13 and 1Q12). Personal reached 19.1 million subscribers in Argentina (+3% vs. 1Q12) thus improving its market position related to subscriber s base and maintaining the leadership in revenues in the mobile industry. Approximately 67% of the subscriber base



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is prepaid subscribers and 33% is postpaid subscribers (including Cuentas Claras plans and Mobile Internet dongles).

### Voice

Voice retail revenues amounted to \$1,214 in 1Q13 (+13% vs. 1Q12). The increase was mainly due to the increase in the lines billed, the increase in the average price of different plans and an increase in the subscriber base, specially Cuentas Claras subscribers.

Voice wholesale revenues amounted to \$448 in 1Q13 (+5% vs. 1Q12). The increase was mainly due to higher traffic in SMS and GPRS roaming in the national segment and an increase in the GPRS traffic in the international segment.

### ***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013***

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**TELECOM ARGENTINA S.A.**

**Internet**

Internet revenues amounted to \$391 (+\$115 or 42% vs. 1Q12), 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 and the migration of existing ones to higher value plans.

**Data**

Mobile data services revenues amounted to \$1,615 (+292 or 22% vs. 1Q12). This increase was mainly due to the constant SMS sales increase as a result of several campaigns launched by Personal and the growth of the offers of SMS consumption, which represented an inter-annual increase of \$252 vs. 1Q12. This increase was reflected both in prepaid or postpaid customers and is mainly due to the increase in the subscribers base.

As a consequence of the voice traffic increase and the VAS use (Internet and data), ARPU increased to \$62.1 pesos in 1Q13 (vs. \$54.9 pesos or +13% in 1Q12).

VAS revenues (data and Internet) amounted to \$2,006 (+28% vs. 1Q12) and represented 55% of Mobile Services Personal services revenues (vs. 52% in 1Q12).

**Núcleo Mobile Services**

This segment generated revenues equivalent to \$249 during 1Q13 (+\$56 or 29% vs. 1Q12) mainly due to the increase in the subscriber base (+6%), the appreciation of the Guaraní respect to the Argentine peso (+20% inter-annual) generating an effect in revenues conversion and the increase of Mobile Internet revenues (+138% vs. 1Q12) related to the increase in the subscriber base. As of March 31, 2013, Núcleo's subscriber base reached 2.3 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 81% and 19%, respectively in 1Q13.

VAS revenues (data and Internet) amounted to \$140 (+57% vs. 1Q12) and represented 56% of Núcleo Mobile Services segment services revenues (vs. 46% in 1Q12).

**Equipment**

Revenues from equipment amounted to \$545, +\$116 or 27% vs. 1Q12. This increase is mainly related to the Personal Mobile services segment with an increase of \$113 vs. 1Q12. The increase was mainly due to lower handsets sold (-25% vs. 1Q12) and an increase in their average prices (+68% vs. 1Q12). This situation was mainly due to a reduction of subsidy policy, the increase in average prices related to higher-value handsets demand and the business strategy to attract high-value subscribers. In the Núcleo Mobile Services segment the increase was mainly due to a higher number of handsets sold as a result of the launch of targeted promotions to capture new subscribers and retaining existing ones, associated to the effect of the appreciation of the Guaraní respect to the Argentine peso.

**Operating costs**

Consolidated operating costs including depreciation, amortization and gain on disposal of PP&E amounted to \$4,958 in 1Q13, which represented an increase of \$861 or +21% vs. 1Q12. 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 Group in Argentina, the increase in the average rates of the turnover tax and the effect of the appreciation of the Guaraní (+20% inter-annual) respect to the Argentine peso, affecting the operations in Paraguay.

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	1Q13	1Q12	Variation	
			\$	%
Employee benefit expenses and severance payments	(868)	(677)	(191)	28
Interconnection costs and other telecommunication charges	(484)	(408)	(76)	19
Fees for services, maintenance, materials and supplies	(556)	(477)	(79)	17
Taxes and fees with the Regulatory Authority	(602)	(462)	(140)	30
Commissions	(605)	(525)	(80)	15
Agent commissions capitalized as SAC	103	76	27	36
Cost of equipment and handsets	(661)	(543)	(118)	22
Cost of equipment and handsets capitalized as SAC	103	106	(3)	(3)
Advertising	(154)	(164)	10	(6)
Cost of VAS	(131)	(60)	(71)	118
Provisions	(40)	(40)		
Bad debt expenses	(93)	(69)	(24)	35
Other operating expenses	(286)	(240)	(46)	19
<b>Operating income before depreciation and amortization</b>	<b>(4,274)</b>	<b>(3,483)</b>	<b>(791)</b>	<b>23</b>
Depreciation of PP&E	(467)	(426)	(41)	10
Amortization of SAC and service connection costs	(219)	(183)	(36)	20
Amortization of other intangible assets	(5)	(6)	1	(17)
Gain on disposal of PP&E	7	1	6	600
<b>Total operating costs</b>	<b>(4,958)</b>	<b>(4,097)</b>	<b>(861)</b>	<b>21</b>

*OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013*

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The costs breakdown is as follows:

**Employee benefit expenses and severance payments**

Employee benefit expenses and severance payments amounted to \$868 (+\$191 or 28% vs. 1Q12). The increase was mainly due to an increase in the headcount and 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 16,752 by the end of 1Q13 (+164 vs. 1Q12 including temporary employees), lines in service per employee reached 371 in the Fixed Services segment (slightly lower than 1Q12), subscribers per employee reached 3,642 in the Personal Mobile Services segment (-2% vs. 1Q12) and subscribers per employee reached 5.354 (+5% vs. 1Q12) 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 \$484 (+\$76 or 19% vs. 1Q12) mainly due to higher traffic volume.

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

Fees for services, maintenance, materials and supplies amounted to \$556 (+\$79 or 17% vs. 1Q12), mainly due to higher maintenance costs of radio bases and systems in the mobile services segments as a result of an increase of system licenses and higher costs of technical assistance of radio bases. 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, IDC, municipal and other taxes) amounted to \$602 (+30% vs. 1Q12), influenced mainly by the increase in revenues of fixed and mobile services, higher equipment sales and higher turnover taxes in Autonomous City of Buenos Aires, Córdoba, Chaco, Jujuy and Mendoza.

**Commissions**

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$605 (+\$80 or 15% vs. 1Q12), mainly due to the increase in commercial agents' commissions (associated to higher revenues) as a result of higher customer's acquisition and retention, higher cards sales, and prepaid recharges and the increase in collections.

In the other hand, agent commissions capitalized as SAC amounted to \$103, +\$27 or 36% vs. 1Q12 and is directly related to the increase in the postpaid 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 \$661 (+\$118 or 22% vs. 1Q12) mainly due to an increase in the average unit cost of sales (+58% vs. 1Q12) and to a decrease in the handsets sold (-25% vs. 1Q12) in the Personal Mobile Services segment.

In the other hand, SAC deferred costs from handsets sold to postpaid and Cuentas Claras subscribers amounted to \$103, -\$3 or -3% vs. 1Q12.

**Advertising**

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Advertising amounted to \$154 (-\$10 or -6% vs. 1Q12), mainly due to a reduction in the commercial campaigns of Personal as compared to 1Q12.

### **Cost of VAS**

Cost of VAS amounted to \$131 (+\$71 vs. 1Q12), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the SMS service) as a consequence of several campaigns launched by Personal and a higher offer oriented towards SMS usage.

### **Provisions**

Provisions totaled \$40, both in 1Q13 and 1Q12.

### **Bad debt expenses**

Bad debt expenses amounted to \$93 (+\$24 vs. 1Q12), representing approximately 1.5% and 1.3% of the consolidated revenues in 1Q13 and 1Q12, respectively. The increase is observed mainly in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables.

## ***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013***

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TELECOM ARGENTINA S.A.

**Other operating costs**

Other operating costs amounted to \$286 (+\$46 vs. 1Q12). The increase was mainly due to higher prices on related services, especially in transportation, freight and travel expenses, among others, in the operations in Argentina; and the increase of rent prices, 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 \$1,799 (+\$152 or 9% vs. 1Q12), representing 30% of consolidated revenues in 1Q13 vs. 32% in 1Q12. This growth was mainly fueled by the Mobile business in Argentina and Paraguay (+\$117 or 10% vs. 1Q12).

**Depreciation and amortization**

Depreciation and amortization amounted to \$691 (+\$76 or 12% vs. 1Q12). The increase in PP&E depreciation amounted to \$41, in amortization of SAC and service connection costs \$36 and a reduction in amortization of other intangible assets of \$1.

**Gain on disposal of PP&E**

The gain amounted to \$7, +\$6 vs. 1Q12 and was mainly due to the sale of vehicles in the Fixed Services segment.

**Operating income**

Operating income amounted to \$1,115 in 1Q13 (+\$82 or +8% vs. 1Q12). The margin over consolidated revenues represented 18% in 1Q13 (vs. 20% in 1Q12). Personal Mobile Services segment shows the higher increase (+\$60 vs. 1Q12).

**Financial results, net**

Financial results, net resulted in a net gain of \$135, representing an improvement of \$74 vs. 1Q12. This was mainly due to higher financial interest on cash equivalents and investments (+\$30 vs. 1Q12) and a lower financial cost for provisions (\$15 vs. 1Q12).

**Net income**

Telecom Argentina reached a net income of \$813 in 1Q13, +\$105 or +15% when compared to 1Q12. Net income attributable to Telecom Argentina amounted to \$802 in 1Q13, +\$104 or +15% as compared to 1Q12.

**Net financial assets**

As of March 31, 2013, Net financial assets (Cash and Cash Equivalents plus financial investments minus Financial debt) amounted to \$4,020, showing an increase of \$1,038 as compared to March 31, 2012 (amounting to \$2,982), mainly due to an increase in the generation of cash from operating activities of the Telecom Group that was partially offset by the cash dividends paid to Telecom Argentina's shareholders in May 2012 (amounting to \$807). The Fixed Services segment has net financial assets of \$999, the Personal Mobile Services segment has net financial assets

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of \$3,118 and the Núcleo Mobile Services segment has net financial debt of \$97.

### Capital expenditures (CAPEX)

CAPEX composition for 1Q13 and 1Q12 is as follows:

	In millions of \$		% of participation		Variation	
	1Q13	1Q12	1Q13	1Q12	\$	%
Fixed Services	284	298	38%	43%	(14)	(5)
Personal Mobile Services	393	349	53%	51%	44	13
Núcleo Mobile Services	64	43	9%	6%	21	49
<b>Total CAPEX</b>	<b>741</b>	<b>690</b>	<b>100%</b>	<b>100%</b>	<b>51</b>	<b>7</b>

PP&E CAPEX amounted to \$519 and intangible assets CAPEX amounted to \$222 in 1Q13, while in 1Q12 amounted to \$492 and \$198, respectively.

In relative terms, CAPEX represented 12% of consolidated revenues in 1Q13 (13% in 1Q12), and were intended mainly for the External wiring and network access equipment, Transmission and Switching equipment, Computer equipment and SAC.

### *OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013*

V

## TELECOM ARGENTINA S.A.

PP&E and intangible assets additions (CAPEX plus materials additions) for 1Q13 and 1Q12 are as follows:

	In millions of \$		% of participation		Variation	
	1Q13	1Q12	1Q13	1Q12	\$	%
Fixed Services	313	355	39%	48%	(42)	(12)
Personal Mobile Services	396	350	50%	47%	46	13
Núcleo Mobile Services	84	38	11%	5%	46	121
<b>Total additions</b>	<b>793</b>	<b>743</b>	<b>100%</b>	<b>100%</b>	<b>50</b>	<b>10</b>

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

### Relevant matters

#### 1. Resolutions of the Annual and Extraordinary Shareholders Meeting of Personal

Personal s shareholders, at their meeting held on April 10, 2013, approved, among other items, the Annual Report and financial statements as of December 31, 2012 and the allocation of Retained Earnings as of December 31, 2012 as follows: (i) the constitution of a Special Reserve for implementation of IFRS by \$405, (ii) the constitution of a voluntary reserve for the finance of working capital and capital expenditures in Argentina by \$233 and (iii) the allocation of \$1,950 to the reserve for future cash dividends. The shareholders also approved the delegation of authority in Personal s Board of Directors to determine the amount, time, terms and conditions to allocate the reserve for future cash dividends and the reserve for the finance of working capital and capital expenditures in Argentina.

#### 2. Resolutions of the Annual General Shareholders Meeting of Telecom Argentina

Telecom Argentina s shareholders, at their meeting held on April 23, 2013, resolved, among other items: (a) the approval of Telecom Argentina s Annual Report and financial statements as of December 31, 2012; (b) to adjourn the session until May 21, 2013 to consider the allocation of Telecom Argentina s Retained Earnings as of December 31, 2012; (c) to set at eleven the number of regular and alternate directors of Telecom Argentina for a three year term, and to set at five the number of regular and alternate members of the Supervisory Committee of Telecom Argentina for a one year term, and to appoint the persons who will occupy those positions.

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

	March 31,		
	2013	2012	2011
Current assets	7,486	5,826	4,119
Non-current assets	11,126	9,989	8,760



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<b>Total assets</b>	<b>18,612</b>	<b>15,815</b>	<b>12,879</b>
Current liabilities	5,830	5,259	4,487
Non-current liabilities	1,781	1,681	1,194
<b>Total liabilities</b>	<b>7,611</b>	<b>6,940</b>	<b>5,681</b>
Equity attributable to Telecom Argentina (Controlling Company)	10,801	8,736	7,070
Equity attributable non-controlling interest	200	139	128
<b>Total Equity</b>	<b>11,001</b>	<b>8,875</b>	<b>7,198</b>
<b>Total liabilities and equity</b>	<b>18,612</b>	<b>15,815</b>	<b>12,879</b>

4. *Summary of comparative consolidated income statements*

	<b>1Q13</b>	<b>1Q12</b>	<b>1Q11</b>
Revenues and other income	6,073	5,130	4,149
Operating costs	(4,958)	(4,097)	(3,191)
<b>Operating income</b>	<b>1,115</b>	<b>1,033</b>	<b>958</b>
Financial results, net	135	61	19
<b>Net income before income tax expense</b>	<b>1,250</b>	<b>1,094</b>	<b>977</b>
Income tax expense	(437)	(386)	(337)
<b>Net income</b>	<b>813</b>	<b>708</b>	<b>640</b>
Other comprehensive income, net of tax	63	25	47
<b>Total comprehensive income</b>	<b>876</b>	<b>733</b>	<b>687</b>
Attributable to Telecom Argentina (Controlling Company)	842	715	666
Attributable to non-controlling interest	34	18	21

**OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013**

## TELECOM ARGENTINA S.A.

## 5. Statistical data (in physical units)

Fixed services

## Voice and data services

	1Q13		1Q12		1Q11		1Q10		1Q09	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Equipment lines	3,807,737	1,551	3,799,811	2,899	3,800,594	(34,973)	3,843,809	(8,350)	3,849,385	1,016
NGN lines	1,092,483	48,115	955,312	(40,306)	880,338	26,928	754,660	11,776	605,156	10,896
Installed lines (a)	4,900,220	49,666	4,755,123	(37,407)	4,680,932	(8,045)	4,598,469	3,426	4,454,541	11,912
Lines in service (b)	4,109,286	(18,572)	4,138,370	(2,765)	4,110,304	3,222	4,057,953	(2,307)	4,008,421	(1,635)
Customers lines (c)	4,027,422	(17,735)	4,054,491	(2,343)	4,024,236	5,177	3,966,266	(1,161)	3,915,573	254
Public phones installed	35,874	(939)	39,158	(921)	43,543	(1,303)	48,683	(1,592)	55,864	(2,511)
Lines in service per 100 inhabitants (d)	20.4	(0.2)	20.7	(0.1)	20.7	(0.1)	20.6	(0.1)	20.6	
Lines in service per employee (e)	371	1	370	(3)	377	(2)	366		359	1

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

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

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

d) Corresponding to the Northern Region of Argentina.

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

Internet

	1Q13		1Q12		1Q11		1Q10		1Q09	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Total ADSL subscribers	1,626,000	(3,000)	1,566,000	16,000	1,407,000	27,000	1,232,000	18,000	1,060,000	28,000

Mobile services

## Personal

	1Q13		1Q12		1Q11		1Q10		1Q09	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter

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Post-paid subscribers	2,415,000	29,000	2,226,000	48,000	1,886,000	81,000	1,613,000	22,000	1,472,000	49,000
Cuentas Claras plans	3,583,000	106,000	3,176,000	37,000	2,814,000	18,000	2,707,000	(2,000)	2,822,000	15,000
Prepaid subscribers	12,763,000	43,000	12,672,000	258,000	11,841,000	415,000	10,454,000	403,000	8,832,000	529,000
Dongles (*)	353,000	(39,000)	473,000	11,000	341,000	35,000	174,000	50,000	45,000	14,000
<b>Total subscribers</b>	<b>19,114,000</b>	<b>139,000</b>	<b>18,547,000</b>	<b>354,000</b>	<b>16,882,000</b>	<b>549,000</b>	<b>14,948,000</b>	<b>473,000</b>	<b>13,171,000</b>	<b>607,000</b>

<b>Lines per employee</b>	<b>3,642</b>	<b>3,734</b>	<b>3,831</b>	<b>3,829</b>	<b>3,535</b>
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*Núcleo*

	1Q13		1Q12		1Q11		1Q10		1Q09	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Post-paid subscribers	29,000	(1,000)	30,000	1,000	26,000	1,000	24,000		23,000	(1,000)
Plan control subscribers	270,000	9,000	227,000	7,000	199,000	8,000	161,000	8,000	143,000	3,000
Prepaid subscribers	1,888,000	16,000	1,829,000	37,000	1,604,000		1,604,000	(1,000)	1,649,000	2,000
Dongles (*)	142,000	10,000	110,000	10,000	63,000	15,000	19,000	7,000		
<b>Subtotal mobile</b>	<b>2,329,000</b>	<b>34,000</b>	<b>2,196,000</b>	<b>55,000</b>	<b>1,892,000</b>	<b>24,000</b>	<b>1,808,000</b>	<b>14,000</b>	<b>1,815,000</b>	<b>4,000</b>
Internet subscribers - Wimax	6,000		7,000	(1,000)	9,000	(1,000)	11,000	(1,000)	16,000	1,000
<b>Total subscribers</b>	<b>2,335,000</b>	<b>34,000</b>	<b>2,203,000</b>	<b>54,000</b>	<b>1,901,000</b>	<b>23,000</b>	<b>1,819,000</b>	<b>13,000</b>	<b>1,831,000</b>	<b>5,000</b>

<b>Lines per employee (**)</b>	<b>5,354</b>	<b>5,119</b>	<b>4,581</b>	<b>4,336</b>	<b>4,281</b>
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(\*) Corresponds to mobile Internet subscribers with post-paid, Cuentas Claras, Plan control and prepaid contracts.

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

**6. Consolidated ratios**

	1Q13	1Q12	1Q11
Liquidity (1)	1.28	1.11	0.92
Solvency (2)	1.45	1.28	1.27
Locked-up capital (3)	0.60	0.63	0.68

(1) Current assets/Current liabilities.

(2) Total equity/Total liabilities.

(3) Non-current assets/Total assets.



**TELECOM ARGENTINA S.A.**

**7. Outlook**

In this fiscal year the growth prospects for fixed line services are expected to continue in line with the evolution experienced in recent years as a result of the market maturity. Arnet Broadband business got well-positioned to continue to capture market opportunities.

The mobile business is expected to continue expanding its subscriber base, although at more moderate rates than those of recent years. Mobile Internet is expected to continue to gain further presence among our customer base. Value Added Services are expected to continue to be one of the key sources of revenues growth. Personal is expected to continue to work on expanding the mobile Internet experience, considering the access restriction to additional spectrum faced by the mobile operators in the national market. Coverage expansion and speed access improvement to 3G and HSDPA+ networks, and the more complete portfolio of advanced mobile devices will be the drivers to success in its operation in the Argentine market.

The strategy implemented by the Company's Management sets forth the basic standards that will enable the Telecom Group to reach its objectives of improving quality of service, strengthening its market position and increasing operating efficiency to meet the growing demands of the dynamic telecommunication market in which it operates. The Telecom Group's investment plans are based on this future vision and on its commitment to its country and people.

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

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013***

VIII

## TELECOM ARGENTINA S.A.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(In millions of Argentine pesos)

	Note	March 31, 2013	December 31, 2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	3,968	3,160
Investments	2	155	563
Trade receivables	2	2,213	2,181
Other receivables	2	610	449
Inventories	2	540	633
<b>Total current assets</b>		<b>7,486</b>	<b>6,986</b>
<b>Non-Current Assets</b>			
Trade receivables	2	20	23
Deferred income tax assets	2	67	62
Other receivables	2	279	119
Investments	2	52	70
Property, plant and equipment ( PP&E )	2	9,193	9,035
Intangible assets	2	1,515	1,514
<b>Total non-current assets</b>		<b>11,126</b>	<b>10,823</b>
<b>TOTAL ASSETS</b>		<b>18,612</b>	<b>17,809</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables	2	3,475	3,659
Deferred revenues	2	386	362
Financial debt	2	55	43
Salaries and social security payables	2	610	635
Income tax payables	2	602	458
Other taxes payables	2	512	552
Dividends payables	2	33	
Other liabilities	2	31	40
Provisions	6	126	134
<b>Total current liabilities</b>		<b>5,830</b>	<b>5,883</b>
<b>Non-Current Liabilities</b>			
Trade payables	2	21	20
Deferred revenues	2	340	329
Financial debt	2	99	101
Salaries and social security payables	2	117	128

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Deferred income tax liabilities	2	186	220
Income tax payables	2	12	12
Other liabilities	2	64	51
Provisions	6	942	907
<b>Total non-current liabilities</b>		<b>1,781</b>	<b>1,768</b>
<b>TOTAL LIABILITIES</b>		<b>7,611</b>	<b>7,651</b>
<b>EQUITY</b> <i>(see Unaudited Condensed Consolidated Statement of Changes in Equity)</i>			
Equity attributable to Telecom Argentina (Controlling Company)		10,801	9,959
Equity attributable to Non-controlling interest		200	199
<b>TOTAL EQUITY</b>	<b>7</b>	<b>11,001</b>	<b>10,158</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>18,612</b>	<b>17,809</b>

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

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

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

## TELECOM ARGENTINA S.A.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

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

	Note	Three-month periods ended March 31,	
		2013	2012
Revenues	2	6,064	5,126
Other income	2	9	4
<b>Total revenues and other income</b>		<b>6,073</b>	<b>5,130</b>
Employee benefit expenses and severance payments	2	(868)	(677)
Interconnection costs and other telecommunication charges	2	(484)	(408)
Fees for services, maintenance, materials and supplies	2	(556)	(477)
Taxes and fees with the Regulatory Authority	2	(602)	(462)
Commissions	2	(502)	(449)
Cost of equipments and handsets	2	(558)	(437)
Advertising	2	(154)	(164)
Cost of VAS	2	(131)	(60)
Provisions	6	(40)	(40)
Bad debt expenses	2	(93)	(69)
Other operating expenses	2	(286)	(240)
Depreciation and amortization	2	(691)	(615)
Gain on disposal of PP&E		7	1
<b>Operating income</b>		<b>1,115</b>	<b>1,033</b>
Finance income	2	205	130
Finance expenses	2	(70)	(69)
<b>Net income before income tax expense</b>		<b>1,250</b>	<b>1,094</b>
Income tax expense	2	(437)	(386)
<b>Net income for the period</b>		<b>813</b>	<b>708</b>
<b>Attributable to:</b>			
Telecom Argentina (Controlling Company)		802	698
Non-controlling interest		11	10
		<b>813</b>	<b>708</b>
<b>Earnings per share attributable to Telecom Argentina basic and diluted</b>	<b>1.d</b>	<b>0.81</b>	<b>0.71</b>

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



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

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

## TELECOM ARGENTINA S.A.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Argentine pesos)

	Three-month periods ended March 31,	
	2013	2012
<b>Net income for the period</b>	<b>813</b>	<b>708</b>
<b>Other components of the Statements of Comprehensive Income</b>		
Currency translation adjustments (non-taxable)	63	25
<b>Other components of the comprehensive income, net of tax</b>	<b>63</b>	<b>25</b>
<b>Total comprehensive income for the period</b>	<b>876</b>	<b>733</b>
<b>Attributable to:</b>		
Telecom Argentina (Controlling Company)	842	715
Non-controlling interest	34	18
	<b>876</b>	<b>733</b>

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

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

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

## TELECOM ARGENTINA S.A.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Argentine pesos)

	Equity attributable to Telecom Argentina							Total	Equity attributable to non-controlling interest	Total Equity
	Capital stock (1)	Inflation adjustment of capital stock	Total capital stock	Legal reserve	Voluntary reserve for future investments	Currency translation adjustment	Retained earnings			
<b>Balances as of January 1, 2012</b>	984	2,688	3,672	451		46	3,852	8,021	144	8,165
Dividends from Núcleo (2)									(23)	(23)
<u>Comprehensive income:</u>										
Net income for the period							698	698	10	708
Other comprehensive income						17		17	8	25
<b>Total Comprehensive Income</b>						17	698	715	18	733
<b>Balances as of March 31, 2012</b>	984	2,688	3,672	451		63	4,550	8,736	139	8,875
<b>Balances as of January 1, 2013</b>	984	2,688	3,672	573	2,553	106	3,055	9,959	199	10,158
Dividends from Núcleo (3)									(33)	(33)
<u>Comprehensive income:</u>										
Net income for the period							802	802	11	813
Other comprehensive income						40		40	23	63
<b>Total Comprehensive Income</b>						40	802	842	34	876
<b>Balances as of March 31, 2013</b>	984	2,688	3,672	573	2,553	146	3,857	10,801	200	11,001

(1) As of March 31, 2013 and 2012, there were 984,380,978 shares issued and fully paid.

(2) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 16, 2012.

(3) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 22, 2013.

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

**Adrián Calaza**  
Chief Financial Officer

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



## TELECOM ARGENTINA S.A.

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of Argentine pesos)

	Note	Three-month periods ended March 31, 2013	2012
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net income for the period		813	708
<b>Adjustments to reconcile net income to net cash flows provided by operating activities</b>			
Bad debt expenses and other allowances		111	67
Depreciation of PP&E	2	467	426
Amortization of intangible assets	2	224	189
Consumption of materials	2	30	44
Gain on disposal of PP&E	2	(7)	(1)
Provisions	6	51	67
Interest and other financial losses		(35)	(8)
Income tax expense	2	437	386
Income tax paid	3	(339)	(217)
Net increase in assets	3	(356)	(76)
Net decrease in liabilities	3	(108)	(255)
<b>Total cash flows provided by operating activities</b>		<b>1,288</b>	<b>1,330</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
PP&E acquisitions	3	(732)	(845)
Intangible assets acquisitions	3	(215)	(190)
Proceeds from the sale of PP&E		7	
Investments not considered as cash and cash equivalents	3	426	
<b>Total cash flows used in investing activities</b>		<b>(514)</b>	<b>(1,035)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Payment of financial debt	3	(7)	(3)
Payment of interest	3	(2)	(2)
<b>Total cash flows used in financing activities</b>		<b>(9)</b>	<b>(5)</b>
<b><u>NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</u></b>			
		<b>43</b>	<b>14</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>808</b>	<b>304</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>3,160</b>	<b>2,818</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>3,968</b>	<b>3,122</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.

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

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

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TELECOM ARGENTINA S.A.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2013 AND 2012**

(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.

*Argentine GAAP*: Generally Accepted Accounting Principles in force in Argentina for the Company (without considering the adoption of IFRS).

*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.

*CPCECABA*: The *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires*.

*D&A*: Depreciation and amortization.

*DLD*: Domestic long-distance.

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

*IAS*: International Accounting Standards.

*IASB*: International Accounting Standards board.

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

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

*Micro Sistemas*: Micro Sistemas S.A.

*Nortel*: Nortel Inversora S.A. Telecom's controlling company.

*Núcleo*: Núcleo S.A.

*NYSE*: New York Stock Exchange

*OCI*: Other Comprehensive Income.

*Personal*: Telecom Personal S.A.

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

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



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*RT*: Technical resolutions issued by the FACPCE.

*RT26*: Technical resolution No, 26 issued by the FACPCE, amended by RT29.

*SAC*: Subscriber Acquisition Costs.

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

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

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

*Springville*: Springville S.A.

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

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

**TELECOM ARGENTINA S.A.**

*Telecom Italia Group:* Telecom Italia and its consolidated subsidiaries, except where referring to the Telecom Italia Group as Telecom Argentina's operator in which case it means Telecom Italia 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 voicemail, message signaling, caller-ID, call transferring, call waiting, call conferencing, IVR dialing, ring back tones, SMS (Short Message Service), MMS (Mobile Multimedia Services), automatic call routing, access to wireless Internet and access to email via BlackBerry.

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TELECOM ARGENTINA S.A.

**NOTE 1 BASIS OF PREPARATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation and significant accounting policies**

These consolidated financial statements have been prepared in accordance with RT 26 as adopted by the CPCECABA, and as required by the CNV.

For the preparation of these consolidated financial statements, the Company has elected to make use of the option provided by IAS 34, so, these consolidated financial statements do not include all the information required in an annual financial statement, and must be read jointly with the 2012 annual consolidated financial statements which can be consulted at the Company's website ([www.telecom.com.ar/inversores](http://www.telecom.com.ar/inversores)).

For the preparation of these consolidated financial statements, the Company followed the same accounting policies applied in its most recent annual consolidated financial statements with the exception of the valuation of Pension benefits included in Other non-current liabilities.

In connection with these pension benefits granted to Telecom Argentina's unionized employees, the Company has applied IAS 19 revised (Employee Benefits), issued by the IASB in June 2011, which introduced modifications related to the recognition of actuarial gains and losses, the presentation of changes in assets and liabilities arising from defined benefit plans (which should be presented within OCI), as well as greater disclosure requirements for defined benefit plans. IAS 19 revised is mandatory for periods beginning on or after 1 January 2013. The adoption of this standard would generate a reduction of \$0.2 in Retained Earnings at the beginning of year 2013 with charge to OCI. Based on materiality grounds, the opening balance of Retained Earnings has not been changed and the provisions of the new standard have been applied in the determination of fiscal year 2013 results of operations.

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

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

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

Publication of these consolidated financial statements for the period ended March 31, 2013 was approved by resolution of the Board of Directors meeting held on April 29, 2013.

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

the consolidated income statements have been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the 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;

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**TELECOM ARGENTINA S.A.**

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 owners in their capacity as owners (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 Argentine Corporations Law and/or by the CNV have been also included.

**c) Segment reporting**

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

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

Information regarding segment reporting is included in Note 4.

**d) Net income per share**

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

For the three-month periods ended March 31, 2013 and 2012, the weighted average of shares outstanding totaled 984,380,978 shares.

**NOTE 2 BREAKDOWN OF THE MAIN ACCOUNTS**

	March 31, 2013	December 31, 2012
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		
<b>CURRENT ASSETS</b>		
<b>a) Cash and cash equivalents</b>		
Cash	14	12
Banks	197	120
Time deposits	3,694	2,624
Mutual funds	63	404

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	<b>3,968</b>	<b>3,160</b>
<b>b) Investments</b>		
Investments over 90 days maturity	107	540
Argentine companies Notes	21	1
Loan to Nortel (Note 5.c)	7	2
Government bonds	20	20
	<b>155</b>	<b>563</b>
<b>c) Trade receivables</b>		
Fixed services	887	853
Personal mobile services	1,512	1,469
Núcleo mobile services	65	61
<b>Subtotal</b>	<b>2,464</b>	<b>2,383</b>
Allowance for doubtful accounts	(251)	(202)
	<b>2,213</b>	<b>2,181</b>

## TELECOM ARGENTINA S.A.

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

	March 31, 2013 (3 months)	December 31, 2012 (12 months)
<b>At the beginning of the year</b>	<b>(202)</b>	<b>(170)</b>
Additions    Bad debt expenses	(93)	(275)
Uses	44	243
<b>At the end of the period/year</b>	<b>(251)</b>	<b>(202)</b>

	March 31, 2013	December 31, 2012
<b>d) Other receivables</b>		
Prepaid expenses	261	206
Prepaid expenses related parties (Note 5.c)	91	
Receivables for suppliers indemnities	28	61
Tax credits	83	54
Restricted funds	13	13
Compensation Fund	10	19
Expenditure reimbursement	43	38
Other	96	73
<b>Subtotal</b>	<b>625</b>	<b>464</b>
Allowance for doubtful accounts	(15)	(15)
	<b>610</b>	<b>449</b>

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

	March 31, 2013 (3 months)	December 31, 2012 (12 months)
<b>At the beginning of the year</b>	<b>(15)</b>	<b>(12)</b>
Additions		(3)
<b>At the end of the period/year</b>	<b>(15)</b>	<b>(15)</b>

	March 31, 2013	December 31, 2012
<b>e) Inventories</b>		

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Mobile handsets	543	626
Fixed telephones and equipment	21	15
<b>Subtotal</b>	<b>564</b>	<b>641</b>
Allowance for obsolescence of inventories	(24)	(8)
	<b>540</b>	<b>633</b>

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

	March 31, 2013 (3 months)	December 31, 2012 (12 months)
<b>At the beginning of the year</b>	<b>(8)</b>	<b>(19)</b>
Additions Fees for services, maintenance, materials and supplies	(19)	(14)
Uses	3	25
<b>At the end of the period/year</b>	<b>(24)</b>	<b>(8)</b>

	March 31, 2013	December 31, 2012
<b>NON CURRENT ASSETS</b>		
<b>f) Trade receivables</b>		
Fixed services	20	23
	<b>20</b>	<b>23</b>
<b>g) Deferred income tax assets</b>		
<i>Net deferred income tax assets in Argentina (Telecom Argentina)</i>		
Allowance for doubtful accounts	43	40
Provisions	246	248
Termination benefits	59	63
Other deferred income tax assets, net	107	108
<b>Deferred income tax liabilities in Argentina</b>		
PP&E and intangible assets	(396)	(405)
<b><i>In Argentina</i></b>	<b>59</b>	<b>54</b>



## TELECOM ARGENTINA S.A.

	March 31, 2013	December 31, 2012
<b>Net deferred income tax assets abroad (Núcleo and Springville)</b>		
Tax loss carryforwards	1	1
Allowance for doubtful accounts	3	2
PP&E	11	11
Valuation allowance	(1)	(1)
<b>Deferred income tax liabilities abroad</b>		
Other deferred income tax liabilities	(6)	(5)
<b>Abroad</b>	<b>8</b>	<b>8</b>
	<b>67</b>	<b>62</b>
<b>h) Other receivables</b>		
Credit on SC Resolution No. 41/07 and IDC	85	85
Restricted funds	23	22
Tax credits	17	17
Prepaid expenses	90	86
Prepaid expenses related parties (Note 5 c)	153	
Credit on minimum presumed income tax	4	4
Other	9	7
<b>Subtotal</b>	<b>381</b>	<b>221</b>
Allowance for regulatory matters	(85)	(85)
Allowance for doubtful accounts	(17)	(17)
	<b>279</b>	<b>119</b>

Movements in the allowance for regulatory matters are as follows:

	March 31, 2013 (3 months)	December 31, 2012 (12 months)
<b>At the beginning of the year</b>	<b>(85)</b>	<b>(90)</b>
Uses		5
<b>At the end of the period/year</b>	<b>(85)</b>	<b>(85)</b>

Movements in the allowance for doubtful accounts are as follows:

	March 31, 2013 (3 months)	December 31, 2012 (12 months)
<b>At the beginning of the year</b>	<b>(17)</b>	<b>(17)</b>

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Additions		(1)
Uses		1
<b>At the end of the period/year</b>	<b>(17)</b>	<b>(17)</b>

	March 31, 2013	December 31, 2012
<b>i) Investments</b>		
Argentinean companies Notes	51	69
2003 Telecommunications Fund	1	1
	<b>52</b>	<b>70</b>
<b>j) PP&amp;E</b>		
Land, buildings and installations	899	900
Computer equipment and software	1,167	1,196
Switching and transmission equipment (i)	2,247	2,286
Mobile network access and external wiring	2,544	2,531
Construction in progress	1,734	1,534
Other tangible assets	311	322
Materials	305	280
<b>Subtotal</b>	<b>9,207</b>	<b>9,049</b>
Valuation allowance for materials	(14)	(14)
	<b>9,193</b>	<b>9,035</b>

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

## TELECOM ARGENTINA S.A.

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

	March 31, 2013 (3 months)	December 31, 2012 (12 months)
<b>At the beginning of the year</b>	<b>9,049</b>	<b>8,262</b>
CAPEX	519	2,415
Materials	52	159
<b>Total PP&amp;E additions</b>	<b>571</b>	<b>2,574</b>
Currency translation adjustments	85	131
Decreases	(1)	(1)
Consumption of materials	(30)	(125)
Depreciation of the period/year	(467)	(1,792)
<b>At the end of the period/year</b>	<b>9,207</b>	<b>9,049</b>

Movements in the valuation allowance for materials are as follows:

	March 31, 2013 (3 months)	December 31, 2012 (12 months)
<b>At the beginning of the year</b>	<b>(14)</b>	<b>(15)</b>
Additions - Fees for services, maintenance, and materials		(5)
Uses		6
<b>At the end of the period/year</b>	<b>(14)</b>	<b>(14)</b>

	March 31, 2013	December 31, 2012
<b>k) Intangible assets</b>		
Licenses	588	588
SAC	591	586
Service connection or habilitation costs	93	94
Rights of use	223	227
Other intangible assets	20	19
	<b>1,515</b>	<b>1,514</b>

Movements in Intangible assets are as follows:

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	March 31, 2013 (3 months)	December 31, 2012 (12 months)
<b>At the beginning of the year</b>	<b>1,514</b>	<b>1,488</b>
CAPEX	222	842
Currency translation adjustments	3	4
Amortization of the period/year	(224)	(820)
<b>At the end of the period/year</b>	<b>1,515</b>	<b>1,514</b>

	March 31, 2013	December 31, 2012
<b>CURRENT LIABILITIES</b>		
<b>l) Trade payables</b>		
PP&E suppliers	1,166	1,427
Other assets and services suppliers	1,624	1,607
Inventory suppliers	585	584
<b>Subtotal suppliers</b>	<b>3,375</b>	<b>3,618</b>
Agent commissions	89	30
SU reimbursement	11	11
	<b>3,475</b>	<b>3,659</b>

<b>m) Deferred revenues</b>		
Deferred revenue on prepaid calling cards	290	270
Deferred revenue on connection fees	31	30
Deferred revenue on sale of capacity and related services	33	34
Deferred revenue on customer loyalty programs	30	26
Deferred revenue from CONATEL	2	2
	<b>386</b>	<b>362</b>

<b>n) Financial debt (Núcleo)</b>		
Bank loans	50	40
Accrued interest	5	3
	<b>55</b>	<b>43</b>

<b>o) Salaries and social security payables</b>		
Vacation and bonuses	415	391
Social security payables	117	144
Termination benefits	60	60
Restructuring debt	9	14
Compensation Fund contributions	9	26
	<b>610</b>	<b>635</b>

## TELECOM ARGENTINA S.A.

	March 31, 2013	December 31, 2012
<b>p) Income tax payables</b>		
Income tax payables	2,006	1,520
Payments in advance of income taxes	(1,407)	(1,065)
Law No. 26,476 Tax Regularization Regime	3	3
	<b>602</b>	<b>458</b>
<b>q) Other taxes payables</b>		
VAT, net	155	180
Tax on SU	90	88
Tax withholdings	63	91
Internal taxes	60	55
Turnover tax	56	54
Regulatory fees	47	48
Municipal taxes	18	17
Retention Decree No.583/10 ENARD	10	9
Other	13	10
	<b>512</b>	<b>552</b>
<b>r) Dividends payables</b>		
Related parties (Note 5.c)	33	
	<b>33</b>	
<b>s) Other liabilities</b>		
Legal fees		12
Guarantees received	9	7
Other	22	21
	<b>31</b>	<b>40</b>
<b>NON CURRENT LIABILITIES</b>		
<b>t) Trade payables</b>		
PP&E suppliers	21	20
	<b>21</b>	<b>20</b>
<b>u) Deferred revenues</b>		
Deferred revenue on sale of capacity and related services	221	217
Deferred revenue on connection fees	63	64
Deferred revenue on customer loyalty programs	47	39
Deferred revenue from CONATEL	9	9
	<b>340</b>	<b>329</b>
<b>v) Financial debt (Núcleo)</b>		

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Bank loans	99	101
	<b>99</b>	<b>101</b>
<b>w) Salaries and social security payables</b>		
Termination benefits	117	128
	<b>117</b>	<b>128</b>
<b>x) Deferred income tax liabilities (Telecom Personal)</b>		
<i>Deferred income tax assets</i>		
Allowance for doubtful accounts	(68)	(54)
Provisions	(130)	(120)
Inventory	(21)	(19)
Other	(6)	(3)
Allowance for deferred income tax assets	23	23
<i>Deferred income tax liabilities</i>		
PP&E and intangible assets	332	348
Other	56	45
<b>Net deferred income tax liabilities</b>	<b>186</b>	<b>220</b>
<b>y) Income tax payables</b>		
Law No. 26,476 Tax Regularization Regime	12	12
	<b>12</b>	<b>12</b>
<b>z) Other liabilities</b>		
Suppliers guarantees on third parties claims	9	12
Pension benefits (Note 1.a)	42	38
Legal fees	12	
Other	1	1
	<b>64</b>	<b>51</b>

## TELECOM ARGENTINA S.A.

## aa) Aging of assets and liabilities at March 31, 2013

Date due	Cash and cash equivalents	Investments	Trade receivables	Deferred income tax assets	Other receivables	Trade payables	Deferred revenues	Financial debt	Salaries and social security payables	Income tax payables	Other taxes payable	Dividends payable	Deferred income tax liabilities	Other liabilities
<b>Total due</b>			<b>898</b>			<b>(d) 115</b>								
<b>Not due</b>														
Second quarter 2013	3,968	118	1,277		378	3,355	315	16	392	599	512	16		26
Third quarter 2013		7	22		89	5	24	8	72	1				3
Fourth quarter 2013		10	10		81		22	18	64	1		17		1
First quarter 2014		20	6		62		25	13	82	1				1
April 2014 thru March 2015		51	14		130	21	96	38	43	3				23
April 2015 thru March 2016			6		76		46	26	29	3				2
April 2016 and thereafter					73		198	35	45	6				39
Not date due established		1		67									186	
<b>Total not due</b>	<b>3,968</b>	<b>207</b>	<b>1,335</b>	<b>67</b>	<b>889</b>	<b>3,381</b>	<b>726</b>	<b>154</b>	<b>727</b>	<b>614</b>	<b>512</b>	<b>33</b>	<b>186</b>	<b>95</b>
<b>Total</b>	<b>3,968</b>	<b>207</b>	<b>2,233</b>	<b>67</b>	<b>889</b>	<b>3,496</b>	<b>726</b>	<b>154</b>	<b>727</b>	<b>614</b>	<b>512</b>	<b>33</b>	<b>186</b>	<b>95</b>
<b>Balances bearing interest</b>	3,757	206	923			44		154		22				4
<b>Balances not bearing interest</b>	211	1	1,310	67	889	3,452	726		727	592	512	33	186	91
<b>Total</b>	<b>3,968</b>	<b>207</b>	<b>2,233</b>	<b>67</b>	<b>889</b>	<b>3,496</b>	<b>726</b>	<b>154</b>	<b>727</b>	<b>614</b>	<b>512</b>	<b>33</b>	<b>186</b>	<b>95</b>
<b>Average annual interest rate (%)</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>			<b>17%</b>		<b>10,28%</b>		<b>9%</b>				<b>6%</b>

(a) \$63 bear 9.31%, \$876 bear 8.34% and \$2,818 bear 14.49%.

(b) \$107 bear 17.78%, \$7 bear 23.18%, \$21 bear 19.10%, \$51 bear 5.09%, \$10 bear 8.84%, \$10 bear 20.08%.

(c) \$78 bear 50% over the Banco de la Nación Argentina 30-day interest rate paid by banks, \$223 bear 50% over the Banco de la Nación Argentina notes payable discount rate, \$14 in financing plans bear 28%, \$38 bear 8.3%, \$557 bear 28.28%, and \$13 bear 36%.

(d) At the date of these consolidated financial statements, \$72 was cancelled.

**ab) Foreign currency assets and liabilities**

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	03.31.13		12.31.12	
	Type and amount of foreign currency (i)	Amount in local currency (ii)	Type and amount of foreign currency (i)	Amount in local currency (ii)
<b>Net positions</b>	US\$	(109)	US\$	(138)
<b>Net assets (liabilities)</b>	G	(153,785)	G	(118,791)
	EURO	(16)	EURO	(10)
	SDR	3	SDR	3
		<b>(852)</b>		<b>(863)</b>

- (i) US\$ = United States dollar; G= Guaraníes; SDR= Special Drawing Rights.  
(ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.

	Three month periods ended March 31,	
	2013	2012
<b>Profit (loss)</b>		
<b><u>CONSOLIDATED INCOME STATEMENTS</u></b>		
<b>ac) Total revenues and other income</b>		
<b><u>Services</u></b>		
Voice Retail	629	607
Voice Wholesale	185	175
Internet	575	458
Data	213	163
<b>Subtotal Fixed services</b>	<b>1,602</b>	<b>1,403</b>
Voice Retail	1,214	1,077
Voice Wholesale	448	425
Internet	391	276
Data	1,615	1,323
<b>Subtotal Personal Mobile services</b>	<b>3,668</b>	<b>3,101</b>
Voice Retail	87	86
Voice Wholesale	22	18
Internet	62	26
Data	78	63
<b>Subtotal Núcleo Mobile services</b>	<b>249</b>	<b>193</b>
<b>Total service revenues (a)</b>	<b>5,519</b>	<b>4,697</b>
<b><u>Equipment</u></b>		
Fixed services	14	18
Personal Mobile services	518	405
Núcleo Mobile services	13	6
<b>Total equipment revenues (b)</b>	<b>545</b>	<b>429</b>
<b><u>Other income</u></b>		
Fixed services	8	3



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Personal Mobile services	1	1
<b>Total other income (c)</b>	<b>9</b>	<b>4</b>
<b>Total revenues and other income (a)+(b)+(c)</b>	<b>6,073</b>	<b>5,130</b>

## TELECOM ARGENTINA S.A.

**ad) Operating costs**

Operating expenses disclosed by nature of expense amounted to \$4,958 and \$4,097 for the three-month periods ended March 31, 2013 and 2012, respectively.

The main components of the operating expenses are the following:

	Three month periods ended March 31,	
	2013	2012
	Profit (loss)	
<b><u>Employee benefit expenses and severance payments</u></b>		
Wages and salaries	(642)	(491)
Social security expenses	(195)	(138)
Severance indemnities and termination benefits	(11)	(29)
Other employee benefits	(20)	(19)
	<b>(868)</b>	<b>(677)</b>
<b><u>Interconnection costs and other telecommunication charges</u></b>		
Fixed telephony interconnection costs	(55)	(53)
Cost of international outbound calls	(37)	(37)
Lease of circuits	(42)	(39)
Mobile services - charges for roaming	(135)	(86)
Mobile services - charges for TLRD	(215)	(193)
	<b>(484)</b>	<b>(408)</b>
<b><u>Fees for services, maintenance, materials and supplies</u></b>		
Maintenance of hardware and software	(80)	(66)
Technical maintenance	(112)	(84)
Service connection fees for fixed lines and Internet lines	(37)	(30)
Service connection fees capitalized as SAC	2	2
Service connection fees capitalized as Intangible assets	6	5
Other maintenance costs	(71)	(51)
Call center fees	(157)	(147)
Other fees for services	(104)	(103)
Directors and Supervisory Committee s fees	(3)	(3)
	<b>(556)</b>	<b>(477)</b>
<b><u>Taxes and fees with the Regulatory Authority</u></b>		
Turnover tax	(324)	(238)
Taxes with the Regulatory Authority	(150)	(118)
Tax on deposits to and withdrawals from bank accounts	(61)	(49)
Municipal taxes	(42)	(30)
Other taxes	(25)	(27)

	<b>(602)</b>	<b>(462)</b>
<b><u>Commissions</u></b>		
Agent commissions	(358)	(311)
Agent commissions capitalized as SAC	103	76
Distribution of prepaid cards commissions	(139)	(123)
Collection commissions	(92)	(71)
Other commissions	(16)	(20)
	<b>(502)</b>	<b>(449)</b>
<b><u>Cost of equipments and handsets</u></b>		
Inventory balance at the beginning of the period	(641)	(555)
Plus:		
Purchases	(588)	(559)
Deferred costs from SAC	103	106
Transfer from materials		(1)
Net decreases from allowance for obsolescence	1	3
Mobile handsets lent to customers at no cost	2	1
Replacements to customers	1	4
Less:		
Inventory balance at period end	564	564
	<b>(558)</b>	<b>(437)</b>

## TELECOM ARGENTINA S.A.

	Three month periods ended	
	2013	2012
	March 31,	
	Profit (loss)	
<b><u>Advertising</u></b>		
Media advertising	(85)	(97)
Fairs and exhibitions	(36)	(36)
Other advertising costs	(33)	(31)
	<b>(154)</b>	<b>(164)</b>
<b><u>Cost of VAS</u></b>		
Cost of mobile VAS	(129)	(58)
Cost of fixed VAS	(2)	(2)
	<b>(131)</b>	<b>(60)</b>
<b><u>Other operating costs</u></b>		
Transportation, freight and travel expenses	(93)	(79)
Delivery costs capitalized as SAC	7	7
Rental expense	(65)	(52)
Energy, water and others	(85)	(74)
International and satellite connectivity	(31)	(30)
Other	(19)	(12)
	<b>(286)</b>	<b>(240)</b>
<b><u>D&amp;A</u></b>		
Depreciation of PP&E	(467)	(426)
Amortization of SAC and service connection costs	(219)	(183)
Amortization of other intangible assets	(5)	(6)
	<b>(691)</b>	<b>(615)</b>

As required by the Argentine Corporations Law, the operating expenses disclosed by function are as follows:

Cost of sales and services	(2,989)	(2,421)
General and administrative expenses	(201)	(152)
Selling expenses	(1,735)	(1,485)
Other expenses - provisions	(40)	(40)
Gain on disposal of PP&E	7	1
	<b>(4,958)</b>	<b>(4,097)</b>
<b>ae) Financial results</b>		
<b>Finance income</b>		
Interest on cash equivalents	105	80

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Interest on investments (Argentine companies Notes and Government bonds)	5	
Interest on receivables	25	20
Gains on Mutual Funds	9	5
Interest on related parties (Note 5.d)		1
Foreign currency exchange gains	60	24
Other	1	
<b>Total finance income</b>	<b>205</b>	<b>130</b>
<b>Finance expenses</b>		
Interest on loans	(4)	(3)
Interest on salaries and social security payable, other taxes payable and accounts payable	(4)	(2)
Interest on provisions	(11)	(27)
Loss on discounting of salaries and social security payable, other taxes payables and other liabilities	(3)	(6)
Foreign currency exchange losses	(47)	(31)
Other	(1)	
<b>Total finance expenses</b>	<b>(70)</b>	<b>(69)</b>
	<b>135</b>	<b>61</b>

## TELECOM ARGENTINA S.A.

## af) Income taxes

Income tax expense for the three-month periods ended March 31, 2013 and 2012 consists of the following:

	Profit (loss)			Total
	The Company	Personal	Núcleo	
Current tax expense	(110)	(365)	(7)	(482)
Deferred tax benefit	5	39	1	45
<b>Income tax expense as of March 31, 2013</b>	<b>(105)</b>	<b>(326)</b>	<b>(6)</b>	<b>(437)</b>
Current tax expense	(70)	(311)	(5)	(386)
Deferred tax benefit (expense)	(5)	6		1
Valuation allowance		(1)		(1)
<b>Income tax expense as of March 31, 2012</b>	<b>(75)</b>	<b>(306)</b>	<b>(5)</b>	<b>(386)</b>

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

	In Argentina	Abroad	Total
	Profit (loss)		
Pre-tax income on a separate return basis	1,833	40	1,873
Non taxable items Other income from investments	(624)		(624)
Non taxable items Other	1	3	4
<b>Subtotal</b>	<b>1,210</b>	<b>43</b>	<b>1,253</b>
Weighted statutory income tax rate	35%	(*)	
<b>Income tax expense at weighted statutory tax rate</b>	<b>(423)</b>	<b>(6)</b>	<b>(429)</b>
Income tax on cash dividends from foreign companies	(6)		(6)
Other changes in tax assets and liabilities	(2)		(2)
<b>Income tax expense as of March 31, 2013</b>	<b>(431)</b>	<b>(6)</b>	<b>(437)</b>
Pre-tax income on a separate return basis	1,632	35	1,667
Non taxable items Other income from investments	(573)		(573)
<b>Subtotal</b>	<b>1,059</b>	<b>35</b>	<b>1,094</b>
Weighted statutory income tax rate	35%	(*)	
<b>Income tax expense at weighted statutory tax rate</b>	<b>(371)</b>	<b>(5)</b>	<b>(376)</b>
Income tax on cash dividends from foreign companies	(7)		(7)

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Other changes in tax assets and liabilities	(2)		(2)
Changes in valuation allowance	(1)		(1)
<b>Income tax expense as of March 31, 2012</b>	<b>(381)</b>	<b>(5)</b>	<b>(386)</b>

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

## NOTE 3 SUPPLEMENTARY CASH FLOW INFORMATION

*Changes in assets/liabilities components:*

	Three month periods ended	
	March 31,	
	2013	2012
<b>Net (increase) decrease in assets</b>		
Trade receivables	(116)	(56)
Other receivables	(74)	(11)
Other receivables related parties (Note 5.c)	(244)	
Inventories	78	(9)
	<b>(356)</b>	<b>(76)</b>
<b>Net (decrease) increase in liabilities</b>		
Trade payables	(46)	(125)
Deferred revenues	31	33
Salaries and social security payables	(50)	(25)
Other taxes payables	(37)	(21)
Other liabilities	3	(45)
Provisions	(9)	(72)
	<b>(108)</b>	<b>(255)</b>
Income tax paid consists of the following:		
Payments in advance	(310)	(194)
Other payments	(29)	(23)
	<b>(339)</b>	<b>(217)</b>



## TELECOM ARGENTINA S.A.

*Main non-cash operating transactions:*

	Three month periods ended March 31,	
	2013	2012
VAT credit balances offset with income taxes payments		23
Compensation Fund contribution reclassified between:		
Provisions and Other receivables and Salaries and social security payables		39
Provisions and Other liabilities		21
SAC acquisitions offset with trade receivables	7	28

*Most significant investing activities:*

PP&amp;E acquisitions include:

PP&E additions (Note 2.j)	(571)	(545)
Plus:		
Payments of trade payables originated in prior years acquisitions	(581)	(640)
Less:		
Acquisition of PP&E through incurrence of trade payables	418	339
Mobile handsets lent to customers at no cost	2	1
	<b>(732)</b>	<b>(845)</b>

Intangible assets acquisitions include:

Intangible assets additions (Note 2.k)	(222)	(198)
Plus:		
Payments of trade payables originated in prior years acquisitions	(66)	(80)
SAC acquisitions offset with trade receivables	(7)	(28)
Less:		
Acquisition of intangible assets through incurrence of trade payables	80	116
	<b>(215)</b>	<b>(190)</b>

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

Investments over 90 days maturity	431
Loan to Nortel	(5)
	<b>426</b>

*Financing activities components:*

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

Payment of bank loans	Núcleo	(7)	(3)
<b>Total payment of financial debt</b>		<b>(7)</b>	<b>(3)</b>
Payment of interest on bank loans	Núcleo	(2)	(2)
<b>Total payment of interest</b>		<b>(2)</b>	<b>(2)</b>

**NOTE 4 SEGMENT INFORMATION**

The Group conducts its business through six legal entities each one has been identified as an operating segment.

The Company 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.

## TELECOM ARGENTINA S.A.

Segment financial information for the three-month periods ended March 31, 2013 and 2012 was as follows:

*For the three-month period ended March 31, 2013*

Income statement

	Fixed services	Personal	Mobile services Núcleo	Subtotal	Eliminations	Total
<b>Total revenues and other income (1)</b>	<b>1,907</b>	<b>4,215</b>	<b>265</b>	<b>4,480</b>	<b>(314)</b>	<b>6,073</b>
Employee benefit expenses and severance payments	(618)	(229)	(21)	(250)		(868)
Interconnection costs and other telecommunication charges	(129)	(551)	(45)	(596)	241	(484)
Fees for services, maintenance, materials and supplies	(245)	(327)	(24)	(351)	40	(556)
Taxes and fees with the Regulatory Authority	(132)	(461)	(9)	(470)		(602)
Commissions	(44)	(445)	(26)	(471)	13	(502)
Cost of equipments and handsets	(15)	(529)	(14)	(543)		(558)
Advertising	(38)	(101)	(15)	(116)		(154)
Cost of VAS	(2)	(120)	(9)	(129)		(131)
Provisions	(13)	(27)		(27)		(40)
Bad debt expenses	(22)	(69)	(2)	(71)		(93)
Other operating expenses	(162)	(133)	(11)	(144)	20	(286)
<b>Operating income before D&amp;A</b>	<b>487</b>	<b>1,223</b>	<b>89</b>	<b>1,312</b>		<b>1,799</b>
Depreciation of PP&E	(216)	(206)	(45)	(251)		(467)
Amortization of intangible assets	(24)	(191)	(9)	(200)		(224)
Gain on disposal of PP&E	5		2	2		7
<b>Operating income</b>	<b>252</b>	<b>826</b>	<b>37</b>	<b>863</b>		<b>1,115</b>
Financial results, net	49	83	3	86		135
<b>Net income before income tax expense</b>	<b>301</b>	<b>909</b>	<b>40</b>	<b>949</b>		<b>1,250</b>
Income tax expense, net	(105)	(326)	(6)	(332)		(437)
<b>Net income</b>	<b>196</b>	<b>583</b>	<b>34</b>	<b>617</b>		<b>813</b>
<b>Net income attributable to Telecom Argentina (Controlling Company)</b>						<b>802</b>
<b>Net income attributable to non-controlling interest</b>						<b>11</b>
						<b>813</b>

(1)

Service revenues	1,602	3,668	249	<b>3,917</b>		<b>5,519</b>
Equipment revenues	14	518	13	<b>531</b>		<b>545</b>
Other income	8	1		<b>1</b>		<b>9</b>

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<b>Subtotal third party revenues</b>	<b>1,624</b>	<b>4,187</b>	<b>262</b>	<b>4,449</b>		<b>6,073</b>
Intersegment revenues	283	28	3	31	(314)	
<b>Total revenues and other income</b>	<b>1,907</b>	<b>4,215</b>	<b>265</b>	<b>4,480</b>	<b>(314)</b>	<b>6,073</b>

Statement of financial position information

<b>PP&amp;E</b>	<b>5,444</b>	<b>2,851</b>	<b>898</b>	<b>3,749</b>		<b>9,193</b>
<b>Intangible assets, net</b>	<b>369</b>	<b>1,114</b>	<b>33</b>	<b>1,147</b>	<b>(1)</b>	<b>1,515</b>
Capital expenditures on PP&E (a)	263	203	53	256		519
Capital expenditures on intangible assets (b)	21	190	11	201		222
<b>Total capital expenditures (a)+ (b)</b>	<b>284</b>	<b>393</b>	<b>64</b>	<b>457</b>		<b>741</b>
<b>Total additions on PP&amp;E and intangible assets</b>	<b>313</b>	<b>396</b>	<b>84</b>	<b>480</b>		<b>793</b>
<b>Net financial asset (debt)</b>	<b>999</b>	<b>3,118</b>	<b>(97)</b>	<b>3,021</b>		<b>4,020</b>

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>	5,796	5,749	10,176
<b>Abroad</b>	277	324	950
<b>Total</b>	<b>6,073</b>	<b>6,073</b>	<b>11,126</b>

## TELECOM ARGENTINA S.A.

For the three-month period ended March 31, 2012

Income statement

	Fixed services	Personal	Mobile services Núcleo	Subtotal	Eliminations	Total
<b>Total revenues and other income (1)</b>	<b>1,669</b>	<b>3,536</b>	<b>200</b>	<b>3,736</b>	<b>(275)</b>	<b>5,130</b>
Employee benefit expenses and severance payments	(496)	(166)	(15)	(181)		(677)
Interconnection costs and other telecommunication charges	(127)	(451)	(31)	(482)	201	(408)
Fees for services, maintenance, materials and supplies	(221)	(280)	(18)	(298)	42	(477)
Taxes and fees with the Regulatory Authority	(109)	(347)	(6)	(353)		(462)
Commissions	(36)	(404)	(24)	(428)	15	(449)
Cost of equipments and handsets	(10)	(422)	(5)	(427)		(437)
Advertising	(38)	(114)	(12)	(126)		(164)
Cost of VAS	(2)	(52)	(6)	(58)		(60)
Provisions	(28)	(12)		(12)		(40)
Bad debt expenses	(14)	(53)	(2)	(55)		(69)
Other operating expenses	(136)	(113)	(8)	(121)	17	(240)
<b>Operating income before D&amp;A</b>	<b>452</b>	<b>1,122</b>	<b>73</b>	<b>1,195</b>		<b>1,647</b>
Depreciation of PP&E	(200)	(196)	(30)	(226)		(426)
Amortization of intangible assets	(24)	(158)	(7)	(165)		(189)
Gain on disposal of PP&E	1					1
<b>Operating income</b>	<b>229</b>	<b>768</b>	<b>36</b>	<b>804</b>		<b>1,033</b>
Financial results, net	(16)	78	(1)	77		61
<b>Net income before income tax expense</b>	<b>213</b>	<b>846</b>	<b>35</b>	<b>881</b>		<b>1,094</b>
Income tax expense, net	(75)	(306)	(5)	(311)		(386)
<b>Net income</b>	<b>138</b>	<b>540</b>	<b>30</b>	<b>570</b>		<b>708</b>
<b>Net income attributable to Telecom Argentina (Controlling Company)</b>						<b>698</b>
<b>Net income attributable to non-controlling interest</b>						<b>10</b>
						<b>708</b>

(1)

Service revenues	1,403	3,101	193	3,294		4,697
Equipment revenues	18	405	6	411		429
Other income	3	1		1		4
<b>Subtotal third party revenues</b>	<b>1,424</b>	<b>3,507</b>	<b>199</b>	<b>3,706</b>		<b>5,130</b>

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Intersegment revenues	245	29	1	30	(275)	
<b>Total revenues and other income</b>	<b>1,669</b>	<b>3,536</b>	<b>200</b>	<b>3,736</b>	<b>(275)</b>	<b>5,130</b>

Statement of financial position information

<b>PP&amp;E</b>	4,979	2,716	657	3,373		8,352
<b>Intangible assets, net</b>	377	1,096	23	1,119		1,496
Capital expenditures on PP&E (a)	281	173	38	211		492
Capital expenditures on intangible assets (b)	17	176	5	181		198
<b>Total capital expenditures (a)+ (b)</b>	<b>298</b>	<b>349</b>	<b>43</b>	<b>392</b>		<b>690</b>
<b>Total additions on PP&amp;E and intangible assets</b>	<b>355</b>	<b>350</b>	<b>38</b>	<b>388</b>		<b>743</b>
<b>Net financial asset (debt)</b>	<b>716</b>	<b>2,370</b>	<b>(104)</b>	<b>2,266</b>		<b>2,982</b>

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
Argentina	4,922	4,864	9,292
Abroad	208	266	697
<b>Total</b>	<b>5,130</b>	<b>5,130</b>	<b>9,989</b>

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**TELECOM ARGENTINA S.A.**
**NOTE 5 RELATED PARTY TRANSACTIONS****a) Controlling company**

Nortel, residing in A. Moreau de Justo 50 - 11th floor Autonomous City of Buenos Aires, holds 54.74% stake in the Company, meaning that exercises control of the Company in the terms of Art. 33 of Law No. 19,550. As of March 31, 2013, Nortel owns all of the Class A shares (51% of total shares of the Company) and 7.64% of the Class B shares (3.74168% of total shares of the Company).

All of the common shares of Nortel belong to Sofora. As of March 31, 2013 these shares represent 78.38% of the capital stock of Nortel.

**b) Related parties**

Related parties (as described in IAS 24) are those legal entities or individuals which are related to the indirect shareholders of the Company.

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

**c) Balances with related parties****Direct parent company**

	March 31, 2013	December 31, 2012
<b>CURRENT ASSETS</b>		
<b>Investments</b>		
Nortel	7	2
	7	2

**Related parties**

	Type of related party	March 31, 2013	December 31, 2012
<b>CURRENT ASSETS</b>			

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**Trade receivables**

TIM Participacoes S.A. (a)	Other related party	1	
Telecom Italia Sparkle S.p.A. (a)	Other related party	2	9
Telecom Italia S.p.A. (a)	Indirect parent company	3	1
Caja de Seguros S.A. (b)	Other related party	47	21
Latin American Nautilus Argentina S.A. (a)	Other related party	2	1
		<b>55</b>	<b>32</b>

**Other receivables**

Latin American Nautilus Argentina S.A. (a) (d)	Other related party	91	
		<b>91</b>	

**NON-CURRENT ASSETS**

**Other receivables**

Latin American Nautilus Argentina S.A. (a) (d)	Other related party	153	
		<b>153</b>	

**CURRENT LIABILITIES**

**Trade payables**

Grupo Italtel (a)	Other related party	99	97
Latin American Nautilus Ltd. (a)	Other related party		30
Telecom Italia S.p.A. (a)	Indirect parent company	13	22
Telecom Italia Sparkle S.p.A. (a)	Other related party	4	10
Latin American Nautilus USA Inc. (a)	Other related party	1	2
Latin American Nautilus Argentina S.A. (a)	Other related party		1
TIM Participacoes S.A. (a)	Other related party	10	2
Caja de Seguros S.A. (b)	Other related party	27	23
La Caja Aseguradora de Riesgos del Trabajo ART S.A. (b)	Other related party	4	5
		<b>158</b>	<b>192</b>

**Dividends payables**

ABC Telecomunicaciones S.A.	Other related party	33	
			<b>33</b>



## TELECOM ARGENTINA S.A.

## d) Transactions with related parties

	Transaction		Type of related party	Three month periods ended March 31,	
	description			2013	2012
				Profit (loss)	
Telecom Italia Sparkle S.p.A. (a)	Voice	Wholesale	Other related party	5	6
TIM Participacoes S.A. (a)	Voice	Wholesale	Other related party	3	4
Telecom Italia S.p.A. (a)	Voice	Wholesale	Indirect parent company	1	1
Caja de Seguros S.A. (b)	Voice	Retail	Other related party	41	20
Caja de Seguros S.A. (b)		Equipment	Other related party	19	12
Standard Bank (b) (c)	Voice	Retail	Other related party		1
Standard Bank (b) (c)		Data	Other related party		4
Standard Bank (b) (c)		Equipment	Other related party		1
<b>Total revenues and other income</b>				<b>69</b>	<b>49</b>
Latin American Nautilus Ltd. (a)		International outbound calls and data	Other related party	(24)	(25)
Grupo Italtel (a)		Maintenance, materials and supplies	Other related party	(16)	(15)
Telecom Italia Sparkle S.p.A. (a)		International outbound calls and other	Other related party	(8)	(7)
TIM Participacoes S.A. (a)		Roaming	Other related party	(6)	(6)
Telecom Italia S.p.A. (a)		Fees for services and roaming	Indirect parent company	(4)	(4)
Latin American Nautilus Argentina S.A. (a)		International outbound calls	Other related party	(2)	(2)
Latin American Nautilus USA Inc. (a)		International outbound calls	Other related party	(2)	(1)
La Caja Aseguradora de Riesgos del Trabajo ART S.A.(b)		Salaries and social security	Other related party	(10)	(7)
Caja de Seguros S.A. (b)		Insurance	Other related party	(4)	(4)
La Estrella Compañía de Seguros S.A. (b)		Insurance		(2)	(1)
<b>Total operating costs</b>				<b>(78)</b>	<b>(72)</b>
Standard Bank (b) (c)		Interest	Other related party		1
<b>Total financial results</b>					<b>1</b>
Grupo Italtel (a)			Other related party	27	10
<b>Total purchases of PP&amp;E</b>				<b>27</b>	<b>10</b>

(a) Such companies relate to Telecom Italia Group.

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- (b) Such companies relate to W de Argentina - Inversiones S.L.
- (c) This entity is no longer related party as from November 2012.
- (d) Corresponds to an agreement of lease-mode IP international capacity until December 2016. The Company paid approximately \$267.6 on February 2013 for this agreement.

The transactions discussed above were made on terms no less favorable to the Company 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 Decree No. 677/01 and Law No. 26,831.

**e) Key Managers**

Compensation for the Key Managers, including social security contribution, amounted to \$13 and \$12 for the three month periods ended March 31, 2013 and 2012, respectively, and was recorded as expenses under the item line Employee benefits expenses and severance payments . The total expense remuneration is comprised as follows:

	<b>Three month periods ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
Salaries (*)	7	5
Variable compensation (*)	4	5
Social security contributions	2	2
	<b>13</b>	<b>12</b>

(\*) Gross compensation. Social security and income tax retentions are in charge of the employee. As of March 31, 2013 and 2012, an amount of \$5 and \$6 remained unpaid, respectively,

As of March 31, 2013 and 2012, the Telecom Group has recorded a \$2 provision for the fees of the Telecom Argentina's Board of Directors members. The members and alternate members of the Board of Directors do not hold executive positions in the Company or Company's subsidiaries.

## TELECOM ARGENTINA S.A.

## NOTE 6 COMMITMENTS AND CONTINGENCIES OF THE TELECOM GROUP

**a) Purchase commitments**

The Company has entered into various purchase orders amounting in the aggregate to approximately \$2,970 as of March 31, 2013 (of which \$811 corresponds to PP&E commitments), primarily related to the supply of switching equipment, external wiring, infrastructure agreements, inventory and other service agreements.

**b) Contingencies**

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

The determination of the required provisions may change in the future due to new developments or unknown facts at the time of the evaluation of the claims or changes as a matter of law or legal interpretation. Consequently, as of March 31, 2013, the Telecom Group has recorded provisions in an aggregate amount of \$1,153 to cover potential losses under these claims (\$85 for regulatory contingencies deducted from assets and \$1,068 included under provisions) and certain amounts deposited in the Company's bank accounts have been restricted as to their use due to some judicial proceedings. As of March 31, 2013, these restricted funds totaled \$36 (included under "Other receivables" item line in the consolidated statement of financial position).

Provisions consist of the following:

	Balances as of December 31, 2012	Additions (reversals)			Decreases		Balances as of March 31, 2013
		Capital (i)	Interest (ii)	Reclassifications	Classified to liability	Payments	
<b>Current</b>							
Provision for civil and commercial proceedings	33			6		(1)	38
Provision for labor claims	32			2		(4)	30
Restructuring (iii)	54				(16)		38
Provision for regulatory, tax and other matters claims	15			9		(4)	20
<b>Total current provisions</b>	<b>134</b>			<b>17</b>	<b>(16)</b>	<b>(9)</b>	<b>126</b>
<b>Non-current</b>							
Provision for civil and commercial proceedings	145	19	2	(6)			160
Provision for labor claims	255	6	1	(2)			260
Provision for regulatory, tax and other matters claims	432	15	6	(9)			444
Asset retirement obligations	75		3				78

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<b>Total non-current provisions</b>	<b>907</b>	<b>40</b>	<b>12</b>	<b>(17)</b>		<b>942</b>
<b>Total provisions</b>	<b>1,041</b>	<b>40</b>	<b>12</b>	<b>(16)</b>	<b>(9)</b>	<b>1,068</b>

- (i) Included in Provisions.
- (ii) \$11 Included in Finance costs and \$1 to currency translation adjustments.
- (iii) As of the date of these consolidated financial statements, the Telecom Group has continued with the restructuring plan implementation begun in 4Q12, estimating that it would be substantially concluded during 2Q13.

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	Balances as of December 31, 2011	Additions (reversals)			Decreases		Balances as of March 31, 2012
		Capital (i)	Interest (ii)	Reclassifications	Classified to liability	Payments	
<b><u>Current</u></b>							
Provision for civil and commercial proceedings	16						16
Provision for labor claims	128			3	(51)	(59)	21
Provision for regulatory, tax and other matters claims	29			(2)		(13)	14
<b>Total current provisions</b>	<b>173</b>			<b>1</b>	<b>(51)</b>	<b>(72)</b>	<b>51</b>
<b><u>Non-current</u></b>							
Provision for civil and commercial proceedings	117	7	3				127
Provision for labor claims	220	19	15	(3)	(9)		242
Provision for regulatory, tax and other matters claims	384	14	8	2			408
Asset retirement obligations	61		1				62
<b>Total non-current provisions</b>	<b>782</b>	<b>40</b>	<b>27</b>	<b>(1)</b>	<b>(9)</b>		<b>839</b>
<b>Total provisions</b>	<b>955</b>	<b>40</b>	<b>27</b>		<b>(60)</b>	<b>(72)</b>	<b>890</b>

- (i) Included in Provisions.  
(ii) Included in Finance costs.

## TELECOM ARGENTINA S.A.

## NOTE 7 EQUITY

Equity includes:

	March 31, 2013	December 31, 2012
Equity attributable to Telecom Argentina (Controlling Company)	10,801	9,959
Equity attributable to non-controlling interest	200	199
<b>Total equity (*)</b>	<b>11,001</b>	<b>10,158</b>

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

Telecom Argentina's capital stock amounts to \$984.380.978, and is represented by an equal number of ordinary shares, \$1 Argentine peso of nominal value and entitled to one vote per share. As of March 31, all the shares are fully paid.

The Company's shares are authorized by the CNV, the Buenos Aires Stock Exchange (the BCBA) and the New York Stock Exchange (the NYSE) for public trading. Only Class B shares are traded since Nortel owns all of the outstanding Class A shares and Class C shares are dedicated to the employee stock ownership program.

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

## NOTE 8 RESTRICTIONS ON DISTRIBUTION OF PROFITS

The Company is subject to certain restrictions on the distribution of profits. Under the Argentine Corporations Law, 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).

As provided by RG No. 609/12 of the CNV, positive retained earnings generated by the adoption of IFRS since fiscal year 2012, amounting to \$370, must be reassigned to a Special Reserve that can only be unaffected for its capitalization or to absorb negative retained earnings. The constitution of the Special Reserve will be considered by the Ordinary Annual Shareholders Meeting to be held on May 21, 2013.

## NOTE 9 SELECTED CONSOLIDATED QUARTERLY INFORMATION

Quarter	Revenues	Operating income before D&A	Operating income	Financial results, net	Net income	Net income attributable to Telecom Argentina
<b>Fiscal year 2013:</b>						

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March 31,	6,064	1,799	1,115	135	813	802
	<b>6,064</b>	<b>1,799</b>	<b>1,115</b>	<b>135</b>	<b>813</b>	<b>802</b>
<b>Fiscal year 2012:</b>						
March 31,	5,126	1,647	1,033	61	708	698
June 30,	5,254	1,492	849	51	586	577
September 30,	5,645	1,587	921	47	629	616
December 31,	6,092	1,844	1,163	70	809	794
	<b>22,117</b>	<b>6,570</b>	<b>3,966</b>	<b>229</b>	<b>2,732</b>	<b>2,685</b>

**NOTE 10 RECENT DEVELOPMENTS CORRESPONDING TO THE QUARTERLY PERIOD ENDED MARCH 31, 2013**

**Regulatory Recent Developments**

**Administrative complaints in connection with Personal s service cuts**

On March 11, 2013, the CNC notified Personal of the administrative complaint related to a network incident that took place on March 8, 2013, affecting only the 3G services in the Autonomous City of Buenos Aires and certain clients of a few localities in the North Region of Argentina. The incident lasted only around two and a half hours.



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**TELECOM ARGENTINA S.A.**

Personal filed its defenses against such penalty procedures, alleging its illegality. However, on April 5, 2013, the CNC notified Personal a Resolution which, among other issues, applies a sanction of \$6, together with the obligation to pay a compensation amount of \$30 pesos to each affected customer.

As of the date of these financial statements, Personal's Management, with the advice of its legal counsels, understands that there are solid arguments to file defenses against such penalty, and is currently assessing which legal defenses should be filed against the above mentioned CNC's Resolution. However, Personal cannot assure that it will have a favorable result in the administrative stage.

**Resolutions of the Annual Shareholders Meeting of Núcleo**

Núcleo's shareholders, at their meeting held on March 22, 2013, approved, among other items, the following distribution of cash dividends:

Month of dividends payment	Dividends corresponding to Personal	Dividends corresponding to non-controlling shareholders	Total
May, 2013	34.0	16.5	50.5
October, 2013	34.0	16.5	50.5
<b>Total</b>	<b>68.0</b>	<b>33.0</b>	<b>101.0</b>

**NOTE 11 SUBSEQUENT EVENTS AS OF MARCH 31, 2013**

**1. Administrative Complaints in connection with Personal's Service Cuts**

On April 4, 2013, the CNC notified Personal of an administrative complaint related to a network incident that took place on April 2, 2013, affecting the provision of services in the City of La Plata, due to the floods resulting from the devastating storm that occurred in such city.

As of the date of these financial statements, Personal's Management is assessing its legal defenses against the above mentioned penalty procedure.

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

On April 8, 2013, SC Resolution No. 1/13 was published in the Official Bulletin, establishing that all mobile operators should guarantee the service provision, even in emergencies or catastrophe situations, in which case the normal service provision must be restored in a maximum period of one hour. Mobile operators must, in all cases, prioritize the access to emergency services in the affected areas.

In addition, Resolution No. 1/13 requires that mobile operators present within 45 days a contingency plan for emergency situations, for purposes of guaranteeing the continuity of services in such circumstances.

As of the date of these financial statements, Personal's Management is analyzing the effects that this new Resolution could have on its operations and its financial situation, as well as the actions that should be taken.

3. **Resolutions of the Annual and Extraordinary Shareholders Meeting of Personal**

Personal s shareholders, at their meeting held on April 10, 2013, approved, among other items, the Annual Report and financial statements as of December 31, 2012 and the allocation of Retained Earnings as of December 31, 2012 as follows: (i) the constitution of a Special Reserve for implementation of IFRS by \$405, (ii) the constitution of a voluntary reserve for the finance of working capital and capital expenditures in Argentina by \$233 and (iii) the allocation of \$1,950 to the reserve for future cash dividends. The shareholders also approved the delegation of authority in Personal s Board of Directors to determine the amount, time, terms and conditions to allocate the reserve for future cash dividends and the reserve for the finance of working capital and capital expenditures in Argentina.

**TELECOM ARGENTINA S.A.**

**4. Resolutions of the Annual General Shareholders Meeting of Telecom Argentina**

Telecom Argentina's shareholders, at their meeting held on April 23, 2013, resolved, among other items: (a) the approval of Telecom Argentina's Annual Report and financial statements as of December 31, 2012; (b) to adjourn the session until May 21, 2013 to consider the allocation of Telecom Argentina's Retained Earnings as of December 31, 2012; (c) to set at eleven the number of regular and alternate directors of Telecom Argentina for a three year term, and to set at five the number of regular and alternate members of the Supervisory Committee of Telecom Argentina for a one year term, and to appoint the persons who will occupy those positions.

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

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

Free translation from the original in Spanish for publication in Argentina

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

To the Shareholders, President and Directors of

Telecom Argentina S.A.

Legal address: Alicia Moreau de Justo 50

Autonomous City of Buenos Aires

Tax code: 30-63945373-8

1. We have reviewed the accompanying condensed interim consolidated financial statements of Telecom Argentina S.A. ( Telecom ), and its subsidiaries, including the consolidated statement of financial position at March 31, 2013, the consolidated statements of income, comprehensive income, changes in equity and of cash flows for the three-month period ended March 31, 2013, and the selected explanatory notes. The balances and other information for the year 2012 and for the interim periods are an integral part of these financial statements and, therefore, they should be considered in relation to those statements.
2. The Company's Board of Directors is responsible for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and added by the National Securities Commission (CNV) to its regulations, as approved by the International Accounting Standard Board (IASB). Therefore, they are responsible for the preparation and presentation of the condensed interim consolidated financial statements mentioned in paragraph 1., in accordance with International Accounting Standard No. 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion based on the review that we have performed with the scope detailed in paragraph 3.
3. Our review was limited to the application of the procedures established by Technical Pronouncement No. 7 of the Argentine Federation of Professional Councils in Economic Sciences for limited reviews of financial statements for interim periods which consist, mainly, of the application of analytical procedures on the amounts disclosed in the condensed interim consolidated financial statements and of inquiries of the Company staff responsible for the preparation of the information included in the condensed interim consolidated financial statements and its subsequent analysis. This review is substantially less in scope than an audit, the objective of which is to express an opinion on the financial statements under examination. Accordingly, we do not express an opinion on the Company's consolidated financial position, consolidated statement of comprehensive income and consolidated cash flows.

4. Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements mentioned in paragraph 1. have not been prepared, in all material respects, in accordance with International Accounting Standard No. 34.
5. In accordance with current regulations, in connection with Telecom, we report that:
- a) the condensed interim consolidated financial statements of Telecom are transcribed into the Inventory and Balance Sheet book and as regards those matters that are within our competence, they are in compliance with the provisions of the Commercial Companies Law and pertinent resolutions of the National Securities Commission;
  - b) the condensed interim separate financial statements of Telecom arises from accounting records kept in all formal respects in conformity with legal regulations;
  - 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) at March 31, 2013, the debt corresponding to withholdings and contributions to the Argentine Integrated Social Security System according to the Company's accounting records amounted to \$ 52,568,687.01, none of which was due at that date.  
Autonomous City of Buenos Aires, April 29, 2013

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. V° 1 F° 17  
Dr. Alejandro P. Frechou

Public Accountant (UBA)

C.P.C.E.C.A.B.A. V° 156 F° 85

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

Quarter	Market quotation (\$/share)		Volume of shares traded (in millions)
	High	Low	
1Q12	20.40	16.10	10.1
2Q12	18.55	17.45	12.8
3Q12	16.10	14.30	13.9
4Q12	16.10	12.30	9.0
1Q13	25.95	16.40	18.1

**NYSE\***

Quarter	Market quotation (US\$/ADR*)		Volume of ADRs traded (in millions)
	High	Low	
1Q12	21.23	17.28	16.3
2Q12	21.94	17.51	18.2
3Q12	17.55	10.00	24.6
4Q12	12.31	9.39	12.6
1Q13	15.92	12.13	27.0

\* Calculated at 1 ADR = 5 shares

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

Telecom Argentina S.A.

Investor Relations Division

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

(1107) Autonomous City of Buenos Aires

Tel.: 54-11-4968-3628

Argentina

**Outside Argentina**

JP Morgan Chase

Latam ADR Sales &amp; Relationship Mgmt.

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New York 10005

USA

Tel.: 1-212-552-3729

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

**DEPOSIT AND TRANSFER AGENT FOR ADRs**

J.P. Morgan Depositary Receipts

1 Chase Manhattan Plaza, Floor 58

New York, NY 10005

(866) JPM-ADRS

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

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: May 17, 2013

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