

TELECOM ARGENTINA SA
Form 20-F
April 14, 2014
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As filed with the Securities and Exchange Commission on April 14, 2014.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2013**
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from **to**
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from to

Commission file number: 1-13464

TELECOM ARGENTINA S.A.

(Exact name of Registrant as Specified in its charter)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Alicia Moreau de Justo 50

(C1107AAB) - Buenos Aires

Argentina

(Address of Principal Executive Offices)

Pedro Insussarry

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Alicia Moreau de Justo 50, 10th Floor, (C1107AAB), Buenos Aires, Argentina)

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
American Depositary Shares,	New York Stock Exchange
representing Class B Ordinary Shares	
Class B Ordinary Shares,	New York Stock Exchange*
nominal value P\$1.00 per share	

*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Class A Ordinary Shares, nominal value P\$1.00 each	502,034,299
Class B Ordinary Shares, nominal value P\$1.00 each	466,857,868
Class C Ordinary Shares, nominal value P\$1.00 each	267,438

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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PRESENTATION OF FINANCIAL INFORMATION

Telecom Argentina S.A. is a company incorporated under the laws of Argentina. As used in this Annual Report on Form 20-F (the Form 20-F or Annual Report), the terms the Company, Telecom, Telecom Group, we, us, refer to Telecom Argentina S.A. and its consolidated subsidiaries as of December 31, 2013. Unless otherwise stated, references to the financial results of Telecom are to the consolidated financial results of Telecom Argentina and its consolidated subsidiaries. The Telecom Group is engaged in the provision of fixed and mobile telecommunications services.

The term Telecom Argentina refers to Telecom Argentina S.A. excluding its subsidiaries, as of December 31, 2013, Telecom Personal S.A., Núcleo S.A., Springville S.A. (Springville), Telecom Argentina USA Inc. (Telecom Argentina USA), and Micro Sistemas S.A. Telecom Argentina is engaged in the provision of fixed telecommunication services in Argentina. The terms Telecom Personal or Personal refer to Telecom Personal S.A., our subsidiary engaged in the provision of mobile telecommunication services in Argentina. The term Núcleo refers to Núcleo S.A., Personal s consolidated subsidiary engaged in the provision of mobile telecommunication services in Paraguay.

Our Consolidated Financial Statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, and the notes thereto (the Consolidated Financial Statements) are set forth on pages F-1 through F-77 of this Annual Report.

Our Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been approved by resolution of the Board of Directors meeting held on February 27, 2014.

Our Consolidated Financial Statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, as included in this report, have been audited by our independent registered public accounting firm.

Telecom Argentina and our Argentine subsidiaries maintain their accounting records and prepare their financial statements in Argentine Pesos, which is their functional currency. Our subsidiaries Núcleo, Telecom Argentina USA and Springville, however, maintain their accounting records and prepare their financial statements in Guaraníes, U.S. dollars and Uruguayan pesos, respectively. Our Consolidated Financial Statements include the results of these subsidiaries translated into Argentine Pesos. Assets and liabilities are translated at year-end exchange rates and revenue and expense accounts at average exchange rates for the year.

Certain financial information contained in this Annual Report has been presented in U.S. dollars. This Annual Report contains translations of various Argentine Peso amounts into U.S. dollars at specified rates solely for convenience of the reader. You should not construe these translations as representations by us that the Argentine Peso amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Except as otherwise specified, all references to US\$, U.S. dollars or dollars are to United States dollars and references to P\$, Argentine Pesos or pesos are to Argentine Pesos. Unless otherwise indicated, we have translated the Argentine Peso amounts using a rate of P\$6.52 = US\$1.00, the U.S. dollar ask rate published by the Banco de la Nación Argentina (Argentine National Bank) on December 31, 2013. During the first three months of 2014, the exchange rate of the Argentine peso suffered a devaluation of approximately 23% against the U.S. dollar. On April 11, 2014, the exchange rate was P\$8.00 = US\$1.00. As a result of fluctuations in the Argentine peso/U.S. dollar exchange rate, the exchange rate at such date may not be indicative of current or future exchange rates. Consequently, these translations should not be construed as a representation that the peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See Item 3 Key Information Exchange Rates , and Item 3 Key Information Risk Factors Risks

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Relating to Argentina Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad .

For the purposes of this Annual Report, billion means a thousand million.

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Certain amounts and ratios contained in this Annual Report (including percentage amounts) have been rounded up or down to facilitate the summation of the tables in which they are presented. The effect of this rounding is not material. These rounded amounts are also included within the text of this Annual Report.

The contents of our website and other websites referred to herein are not part of this Annual Report.

This Annual Report contains certain terms that may be unfamiliar to some readers. You can find a glossary of these terms on page 3 of this Annual Report.

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FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Certain information included in this Annual Report contains information that is forward-looking, including, but not limited to:

our expectations for our future performance, revenues, income, earnings per share, capital expenditures, dividends, liquidity and capital structure;

the implementation of our business strategy;

the discussion of the changing dynamics and growth in the telecommunications market;

our outlook for new and enhanced technologies;

the effects of operating in a competitive environment;

industry conditions;

the outcome of certain legal proceedings;

the impact of the emergency laws and subsequent related laws enacted by the Argentine government;

regulatory and legal developments; and

other factors identified or discussed under Item 3 Key Information Risk Factors.

This Annual Report contains certain forward-looking statements and information relating to the Telecom Group that are based on current expectations, estimates and projections of our Management and information currently available to the Telecom Group. These statements include, but are not limited to, statements made in Item 3 Key Information Risk Factors, Item 5 Operating and Financial Review and Prospects under the captions Critical Accounting Policies and Trend Information, Item 8 Financial Information Legal Proceedings and other statements about the Telecom Group's strategies, plans, objectives, expectations, intentions, capital expenditures, and assumptions and other statements contained in this Annual Report that are not historical facts. When used in this document, the words anticipate, believe, estimate, expect, intend, plan, project, will and should and other similar expressions are generally used to identify forward-looking statements.

These statements reflect the current views of the Management of Telecom Argentina S.A. (the Company) with respect to future events. They are not guarantees of future performance and involve certain risks and uncertainties that are

difficult to predict. In addition, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Many factors could cause actual results, performance or achievements of the Telecom Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, among others:

our ability to successfully implement our business strategy;

our ability to introduce new products and services that enable business growth;

uncertainties relating to political and economic conditions in Argentina;

inflation, the devaluation of the peso and exchange rate risks;

restrictions on the ability to exchange pesos into foreign currencies and transfer funds abroad;

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the final results of the contract renegotiation process with the Argentine government regarding the adjustment to our regulated rates in the fixed services;

the creditworthiness of our actual or potential customers;

nationalization, expropriation and/or increased government intervention in companies;

technological changes;

the lack of additional mobile frequency bands;

the impact of legal or regulatory matters, changes in the interpretation of current or future regulations or reform and changes in the legal or regulatory environment in which we operate; and

the effects of increased competition.

Many of these factors are macroeconomic in nature and therefore beyond the control of the Company's Management. Should one or more of these risks or uncertainties materialize, or underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected. The Company does not intend and does not assume any obligation to update the forward-looking statements contained in this Annual Report.

These forward-looking statements are based upon a number of assumptions and other important factors that could cause our actual results, performance or achievements to differ materially from our future results, performance or achievements expressed or implied by such forward-looking statements. Readers are encouraged to consult the Company's filings made on Form 6-K, which are periodically filed with or furnished to the United States Securities and Exchange Commission.

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GLOSSARY OF TERMS

The following explanations are not provided as or intended to be technical definitions, but only to assist the general reader to understand certain terms used in this Annual Report.

2G (second-generation mobile system): Second-generation protocols using digital encoding and including GSM, D-AMPS (TDMA) and CDMA. These protocols support high bit rate voice and limited data communications. 2G networks technology offers auxiliary services such as data, fax and SMS. Most 2G protocols offer different levels of encryption.

3G (third-generation mobile system): Third-generation mobile service, designed to provide high speed data, always-on data access, and greater voice capacity. 3G networks allow the transfer of both voice data services (telephony, messaging) and non-voice data (such as downloading Internet information, exchanging email, and instant messaging). The high data speeds, measured in Mbps, are significantly higher than 2G, and 3G networks technology enable full motion video, high-speed Internet access and video-conferencing. 3G technology standards include UMTS, based on WCDMA technology (quite often the two terms are used interchangeably), and CDMA2000.

Access charge: Amount charged per minute by national operators for the use of their network by operators of other networks.

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

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

AFIP (Administración Federal de Ingresos Públicos): The Argentine federal tax authority.

AFJP (Administradoras de Fondos de Jubilaciones y Pensiones): Private entities that were in charge of managing the funds of the Private Pension and Retirement System established by Law No. 24,241, until its nationalization in November 2008 pursuant to Law No. 26,425.

AMBA (Area Múltiple Buenos Aires): An area comprising the city of Buenos Aires and the greater Buenos Aires area. Telephone calls within the area are considered local.

Analog: A mode of transmission or switching that is not digital, e.g., the representation of voice, video or other not in digital form.

ANSES: The Argentine administrator of social security pension and retirement benefits.

Argentina: Republic of Argentina.

Argentine Bankruptcy Law: Law No. 24,522, as amended.

Argentine GAAP: Generally Accepted Accounting Principles in Argentina, which we used before the adoption of IFRS.

ARBU (Average Revenue Billed per User): Calculated by dividing total monthly basic charges and traffic revenue excluding public telephony revenue by weighted-average number of fixed lines in service during the period.

ARPU (Average Revenue per User): Calculated by dividing total revenue excluding mainly handset, out collect (wholesale) roaming, cell site rental and activation fee revenue by weighted-average number of subscribers during the period.

ATM (Asynchronous Transfer Mode): A Broadband switching technology that permits the use of one network for different kinds of information (e.g., voice, data and video).

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Backbone: Portion of telecommunication network with the highest traffic intensity and from which the connections for services in the local areas depart.

Basic telephone services: The supply of fixed telecommunications links that form part of the public telephone network, or are connected to such network, and the provision of local and long-distance telephone service (domestic and international).

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

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

Broadband services or Broadband: Services characterized by a transmission speed of 2 Mbps or more. These services include interactive services such as videotelephone/videoconferencing (both point-to-point and multipoint); videomonitoring; interconnection of local networks; file transfer; high-speed fax; e-mail for moving images or mixed documents; Broadband videotex; video on demand and retrieval of sound programs or fixed and moving images.

Broadcast: Simultaneous transmission of information to all nodes and terminal equipment of a network.

Carrier: Company that makes available the physical telecommunication network.

CAT: Compañía Argentina de Teléfonos S.A.

CDMA (Code Division Multiple Accesses): A digital wireless technology used in radio communication for transmission between a mobile handset and a radio base station. It enables the simultaneous transmission and reception of several messages, each of which has a coded identity to distinguish it from the other messages.

Cell: Geographical portion of the territory covered by a base transceiver station: 850 MHz/1900 MHz.

Cellular: A technique used in mobile radio technology to use the same spectrum of frequencies in one network multiple times. Low power radio transmitters are used to cover a cell (i.e., a limited area) so that the frequencies in use can be reused without interference for other parts of the network.

Channel: The portion of a communications system that connects a source to one or more destinations. Also called circuit, line, link or path.

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

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

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

Convertibility Law: Law No. 23,928 and its Regulatory Decree No. 529/91. The Convertibility Law fixed the exchange rate at one peso per U.S. dollar during the period from April 1, 1991 through January 6, 2002. The Convertibility Law was partially repealed on January 6, 2002 by the enactment of the Public Emergency Law.

CPP (Calling Party Pays): The system whereby the party placing a call to a mobile handset rather than the mobile subscriber pays for the air time charges for the call.

D-AMPS (Digital-Advanced Mobile Phone Service): It is a digital version of AMPS (Advanced Mobile Phone Service), the original analog standard for mobile telephone service in the United States.

Digital: A mode of representing a physical variable such as speech using digits 0 and 1 only. The digits are transmitted in binary form as a series of pulses. Digital networks are rapidly replacing the older analog ones. Digital networks allow for higher capacity and higher flexibility through the use of computer-related technology for the transmission and manipulation of telephone calls. Digital systems offer lower noise interference and can incorporate encryption as a protection from external interference.

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DWDM (Dense Wavelength Division Multiplexing): Technology for multiplying and transmitting different wavelengths along a single optical fiber contemporaneously.

EDGE (Enhanced Data for GSM Evolution): Technology that increases the data transmission rate of the GPRS standard.

ENTel (Empresa Nacional de Telecomunicaciones): National Telecommunications Company which operated the telecommunications system in Argentina prior to the Transfer Date.

FCR: France Cables et Radio S.A.

February Agreement: An agreement entered into on February 28, 1992 and subsequently ratified by Decree No. 506/92 between the Argentine government and Telecom Argentina. This agreement provides for the reduction of domestic long-distance rates from their then-current level. The reduction became effective on May 1, 1992.

Fiber Optic: A transmission medium that permits extremely high capacities. It consists of a thin strand of glass that provides a pathway along which waves of light can travel for telecommunications purposes.

Flat rate: The rate applied by providers to users accessing the internet. It is usually a fixed monthly rate for a subscription to a specific Internet Service Provider, aside from the number of connection hours to the internet.

Frame Relay: A data transmission service using fast protocols based on direct use of transmission lines.

Free Pulses: The number of Free Pulses included in the monthly basic charge before the issuance of Decree No. 92/97.

FTT Home, FTT Curb, FTT (Fiber to the):: It is the term used to indicate any network architecture that uses fiber optic cables in partial or total substitution of traditional copper cables used in telecommunications networks. The various technological solutions differ in the point of the distribution network where the fiber connection is made, with respect to the end-user's location. In the case of FTT Curb (Fiber to the Curb or Fiber to the Cabinet), the fiber connection reaches the equipment (distribution cabinet) located on the pavement, from where copper connections are run to the customer; in the case of FTT Home (Fiber to the Home), the fiber connection terminates inside the customer premises.

GDP: Gross Domestic Product.

GPRS (General Packet Radio Service): An enhanced second-generation mobile technology used to transmit data over mobile networks. GPRS transmits and receives packets of data in bursts instead of using continuous open radio channels, and it is used to add faster data transmission speed to GSM networks. GPRS is packet-based rather than circuit-based technology.

GSM (Global System for Mobile Communications): A standard for digital mobile technology used worldwide, which works on 900 MHz and 1,800 MHz band.

HSPA (High-Speed Packet Access): Enhanced third-generation mobile telephony communications protocol which allows networks based on UMTS to have higher data transfer speeds and capacity.

HSPA+: Evolved HSPA that uses the spectrum more efficiently, allowing for higher peak data rates in data transmission.

IASB: International Accounting Standards Board.

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ICT (Information and communication(s) technology): Broad area concerned with information technology, telecommunications networking and services and other aspects of managing and processing information, especially in large organizations.

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

INDEC (Instituto Nacional de Estadísticas y Censos): The Argentine National Statistics and Census Institute.

Interactive: Allowing the user to change some aspect of the program.

Internet: The world's best-known data network. Initially used by the U.S. Department of Defense, the Internet now provides an interface for networks based on different technologies (LANs, WANs, data networks, etc.), but with the use of the TCP/IP protocol platform.

IP (Internet Protocol): A set of communications protocols for exchanging data over the Internet.

IPTV (Internet Protocol Television): The service provides the distribution of television channels over Internet connections using the IP protocol. More than just duplicating a distribution means, IPTV enables interactive services so that the viewer can interact with the show as it is broadcast.

ISP (Internet Service Provider): A vendor who provides access to the Internet and World Wide Web.

Law No. 25,561: Ley de Emergencia Económica y Reforma del Régimen Cambiario: See Public Emergency Law.

List of Conditions: The Privatization Regulations, including the *Pliego de Bases y Condiciones*, was approved by Decree No. 62/90, as amended. Pursuant to the List of Conditions, Telecom Argentina was required to comply with rate regulations and meet certain minimum annual standards regarding the expansion of its telephone system and improvements in the quality of its service to maintain and extend the exclusivity of its non-expiring license to provide fixed-line public telecommunications services and Basic telephone services in the northern region of Argentina. After the market was opened to competition, the outstanding obligations that continue in force are the rate regulations and those related to the quality of service; the obligations related to the expansion of the network are no longer required.

Local Loop: Copper wire-couple, through which the telephone connection reaches users; it is the foundation of traditional telephone lines and it is often called last mile.

Micro Sistemas: Micro Sistemas S.A.

MMS (Mobile Multimedia Services): Represent an evolution of the SMS and the Enhanced Messaging Service (EMS) using various mono-medial elements (text, design, photos, video-clips and audio), which are synchronized and combined allowing them to be packed together and sent to GSM-GPRS platforms.

Mobile service: A mobile telephone service provided by means of a network of interconnected low-powered base stations, each of which covers one small geographic cell within the total cellular system service area.

Modem: Modulator/Demodulator. A device that modulates digital data to allow their transmission on analog channels, generally consisting of telephone lines.

MPLS-TP: Functionality and Management coincident with the operation of circuit-oriented transmission networks.

MPM: Best maintenance practices methodology.

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Multimedia: A service involving two or more communications media (e.g., voice, video, text, etc.) and hybrid products created through their interaction.

NDF (Non Deliverable Forward): A generic term for a set of derivatives that covers national currency transactions including foreign exchange forward swaps, cross currency swaps and coupon swaps in nonconvertible or highly restricted currencies. The common characteristics of these contracts are that they involve no exchange of principal, are fixed at a predetermined price and are typically settled in U.S. dollars (or sometimes in Euros) at the prevailing spot exchange rate taken from an agreed source, time, and future date.

Network: An interconnected collection of elements. In a telephone network, these consist of switches connected to each other and to customer equipment. The transmission equipment may be based on fiber optic or metallic cable or point-to-point radio connectors.

NGN (Next Generation Networks): A packet-based network able to provide services including telecommunication services and able to make use of multiple Broadband, QoS (Quality of Service)-enabled transport technologies and in which service-related functions are independent from underlying transport-related technologies.

Node: Topological network junction, commonly a switching center or station.

Nortel: Nortel Inversora S.A., the parent company of Telecom Argentina S.A.

November Agreement: An agreement between Telecom Argentina and the Argentine government providing for rates to be dollar-based and, at the election of each of Telecom Argentina and Telefónica, adjusted semiannually according to the U.S. consumer price index. The November Agreement was ratified by Decree No. 2,585/91 and became effective on December 18, 1991. Subsequently, in accordance with the Public Emergency Law, these rates were pesified at the exchange rate of US\$1.00 = P\$1.00. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Rates.

Optical fiber: Thin glass, silica or plastic wires, building the infrastructure base for data transmission. An optical fiber cable contains several individual fibers, and each of them is capable of driving a signal (light impulse) at unlimited bandwidth. Optical fibers are usually employed for long-distance communication: they can transfer heavy data loads, and the signal reaches the recipient, protected from possible disturbances along the way. The driving capacity of optical fibers is higher than the traditional cable ones.

Outsourcing: Hiring outsiders to perform various telecommunications services, which may include planning, construction, or hosting of a network or specific equipment belonging to a company.

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

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

Penetration: The measurement of the take-up of services. As of any date, the penetration is calculated by dividing the number of subscribers by the population to which the service is available and expressed as a percentage.

Personal: Telecom Personal S.A.

Pesification: Modification of the exchange rate by the Argentine government pursuant to the Public Emergency Law.

Platform: The total input, including hardware, software, operating equipment and procedures, for producing (production platform) or managing (Management platform) a particular service (service platform).

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Presubscription of Long-Distance Service: The selection by the customer of international and domestic long-distance telecommunications services from a long-distance telephone service operator.

Price Cap: Rate regulation mechanism applied to determine rate discounts based on a formula made up by the U.S. Consumer Price Index and an efficiency factor. The mentioned factor was established initially in the List of Conditions and afterwards in different regulations by the SC.

Privatization Regulations: The Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees.

Public Emergency Law: The Public Emergency and Foreign Exchange System Reform Law No. 25,561 adopted by the Argentine government on January 6, 2002, as amended by Law No. 25,790, Law No. 25,820, Law No. 25,972, Law No. 26,077, Law No. 26,204, Law No. 26,339, Law No. 26,456, Law No. 26,563, Law No. 26,729 and Law No. 26,896. Among others, the Public Emergency Law grants the executive branch of the Argentine government the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market and to renegotiate public service agreements.

Pulse: Unit on which the rate structure of the regulated fixed line services is based.

Rate Agreement: The November Agreement, as supplemented by the February Agreement. The Rate Agreement, among other things, permits Telecom Argentina to effect aggregate rate reductions required pursuant to the List of Conditions by lowering rates for some or all categories of service, *provided* that the net reductions meet applicable targets.

Rate Rebalancing: The Rate Rebalancing established by Decree No. 92/97, of January 31, 1997, which provides for a significant reduction in domestic and international long-distance rates, an increase in basic telephone charges, the elimination of Free Pulses and an increase in urban rates.

Regulatory Bodies: Collectively, the SC and the CNC.

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

Satellite: Satellites are used, among other things, for links with countries that cannot be reached by cable to provide an alternative to cable and to form closed user networks.

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

SCI (Secretaría de Comercio Interior): Secretary of Internal Commerce.

SDH (Synchronous Digital Hierarchy): A hierarchical set of digital transport structures, standardized for the transport of suitably adapted payloads over physical transmission networks.

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

Service Provider: The party that provides end users and content providers with a range of services, including a proprietary, exclusive or third-party service center.

SMS (Short Message Service): Short text messages that can be received and sent through GSM-network connected mobile phones. The maximum text length is 160 alpha-numerical characters.

Sofora: Sofora Telecomunicaciones S.A.

Springville: Springville S.A.

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

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STM (Servicio Telefónico Móvil): Mobile Telephone Service.

Switch: These are used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

Synchronous: Type of data transmission in which there is permanent synchronization between the transmitter and the receiver.

TDM (Time-Division Multiplexing): A type of digital (or rarely analog) multiplexing in which two or more bit streams or signals are transferred apparently simultaneously as sub-channels in one communication channel, but are physically taking turns on the channel.

TDMA (Time Division Multiple Accesses): A technology for digital transmission of radio signals between, for example, a mobile handset and a radio base station. TDMA breaks signals into sequential pieces of defined length, places each piece into an information conduit at specific intervals and then reconstructs the pieces at the end of the conduit.

Telco S.p.A.: A joint company made up of Assicurazioni Generali S.p.A., Intesa San Paolo S.p.A., Mediobanca S.p.A., Sintonia S.A. and Telefónica, S.A. (of Spain).

Telecom Argentina USA: Telecom Argentina USA, Inc.

Telecom Italia: Telecom Italia S.p.A.

Telecom Italia Group: Telecom Italia and its consolidated subsidiaries.

Telefónica: Telefónica de Argentina S.A.

Telefónica de España: Telefónica, S.A. (of Spain).

Telintar: Telecomunicaciones Internacionales de Argentina Telintar S.A.

TLRD (Terminación Llamada Red Destino): Termination charges from third parties mobile networks.

Transfer Date: November 8, 1990, the date on which Telecom Argentina commenced operations upon the transfer from the Argentine government of the telecommunications system in the northern region of Argentina that was previously owned and operated by ENTel.

UMTS (Universal Mobile Telecommunications System): Third-generation mobile communication standard.

Unbundling: A process that allows telephone carriers (other than Telecom Argentina) to lease the last part of the telephone loop that is to say, the copper wire-cable, connecting Telecom Argentina central station to the user's home, by disconnecting the user from Telecom Argentina terminals and connecting him/her to the telephone carrier's terminals.

UNIREN (Unidad de Renegociación y Análisis de Contratos de Servicios Públicos): Renegotiation and Analysis of Public Services Contracts Division.

Universal Service: 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.

Value Added Services (VAS): Services that provide a higher level of functionality than the basic transmission services offered by a telecommunications network such as video streaming, Personal Video , Nube Personal (Cloud services), M2M (Machine to Machine communication), social networks, Personal Messenger , content and entertainment (SMS subscriptions and content, games, music, etc), MMS and voice mail.

W de Argentina Inversiones: W de Argentina Inversiones S.L.

WAN (Wide Area Network): A private network that covers a wide geographic area using public telecommunications services.

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Wi-Fi: A service for mobile Internet connection and high-speed access.

Wi-Max (Worldwide Interoperability for Microwave Access): A technology that allows mobile access to Broadband telecommunications networks. It is defined by the Wi-Max Forum, a global consortium formed by major companies in the field of fixed and mobile telecommunications, which has the purpose to develop, test and promote the interoperability of systems.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Data

The following table presents our summary financial data for each of the years in the five-year period ended December 31, 2013.

The selected consolidated income statement data for the years ended December 31, 2013, 2012 and 2011 and the selected consolidated financial position data as of December 31, 2013 and 2012 have been prepared in accordance with IFRS as issued by the IASB (IFRS) and have been derived from our Consolidated Financial Statements included elsewhere in this Annual Report. The selected consolidated income statement data for the years ended December 31, 2010 and 2009 and the selected consolidated financial position data as of December 31, 2011 and 2010 have been prepared in accordance with IFRS and have been derived from our consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 included in our Annual Report on Form 20-F for the year ended December 31, 2011, filed on April 30, 2012. The selected consolidated financial position data as of December 31, 2009 prepared in accordance with IFRS have been derived from our consolidated financial statements as of December 31, 2010 and 2009 and for the years then ended included in our Annual Report on Form 20-F for the year ended December 31, 2010, filed on June 29, 2011.

Our audited consolidated financial statements as of December 31, 2010 and for the year then ended were the first annual audited financial statements that are fully compliant with IFRS. Before December 31, 2010, our consolidated financial statements were prepared in accordance with Argentine GAAP. Our financial statements as of December 31, 2009 and for the year then ended, originally prepared in accordance with Argentine GAAP were adjusted to fully comply with IFRS, and all of our subsequent audited consolidated financial statements fully comply with IFRS.

The mandatory adoption of IFRS for public companies in Argentina was effective for fiscal years beginning January 1, 2012. Therefore, the consolidated financial statements as of December 31, 2011 and 2010 for filing with the CNV were prepared in accordance with Argentine GAAP, which differs in certain respects from IFRS. According to the CNV regulations, financial statements under IFRS for the years 2011 and 2010 were presented as additional information to the consolidated financial statements prepared under Argentine GAAP.

You should read the information below in conjunction with our Consolidated Financial Statements and the notes thereto, as well as Presentation of Financial Information and Item 5 Operating and Financial Review and Prospects.

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	2013	2012	2011	2010	2009
	(P\$ million, except per share and per ADS data in P\$)				
INCOME STATEMENT DATA					
Total revenues and other income	27,350	22,196	18,528	14,652	12,191
Operating expenses (without depreciation and amortization)	(19,786)	(15,626)	(12,535)	(9,785)	(8,043)
Operating expenses depreciation and amortization	(2,873)	(2,612)	(2,158)	(1,712)	(1,545)
Gain on disposal of PP&E and impairment of PP&E	(173)	8	22	7	13
Operating income	4,518	3,966	3,857	3,162	2,616
Other, net (1)	528	229	80	(137)	(401)
Income tax expense	(1,792)	(1,463)	(1,395)	(1,076)	(798)
Net income	3,254	2,732	2,542	1,949	1,417
<i>Net income attributable to Telecom Argentina</i>	<i>3,202</i>	<i>2,685</i>	<i>2,513</i>	<i>1,935</i>	<i>1,405</i>
<i>Net income attributable to Noncontrolling Interest</i>	<i>52</i>	<i>47</i>	<i>29</i>	<i>14</i>	<i>12</i>
Number of shares outstanding at year-end (in millions of shares)(2)	969	984	984	984	984
Net income per share (basic and diluted)(3)	3.27	2.73	2.55	1.97	1.43
Net income per ADS(4)	16.35	13.64	12.76	9.83	7.14
Dividends per share(5)	1.03	0.82	0.93	1.07	
Dividends per ADS(6)	5.11	4.10	4.65	5.35	
FINANCIAL POSITION DATA					
Current assets	9,751	6,986	5,450	3,624	2,943
PP&E and intangible assets	12,745	10,549	9,735	8,598	7,839
Other non-current assets	634	274	134	101	77
Total assets	23,130	17,809	15,319	12,323	10,859
Current liabilities	9,050	5,883	5,519	4,510	4,201
Non-current liabilities	2,029	1,768	1,635	1,302	1,061
Total liabilities	11,079	7,651	7,154	5,812	5,262
Total equity	12,051	10,158	8,165	6,511	5,597
<i>Equity attributable to Telecom Argentina</i>	<i>11,783</i>	<i>9,959</i>	<i>8,021</i>	<i>6,404</i>	<i>5,509</i>
<i>Noncontrolling Interest</i>	<i>268</i>	<i>199</i>	<i>144</i>	<i>107</i>	<i>88</i>
Capital Stock	984	984	984	984	984

(1) Other, net includes Other income from investments and Finance income and expenses.

(2) Number of ordinary shares outstanding as of December 31, 2013 (without including treasury shares).

(3) Calculated based on the weighted average number of ordinary shares outstanding during the period (978,939,079 shares).

(4) Calculated based on 195,787,816 ADSs, which is equivalent to the weighted average number of ordinary shares outstanding during the period.

(5) The 2013 dividend per share Argentina peso amount translated into U.S. dollars using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) as of the date when dividends were available, is

US\$0.16.

- (6) The 2013 dividend per ADS Argentina peso amount translated into U.S. dollars using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) as of the date when dividends were available, is US\$0.79.

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	2013	2012	2011	2010	2009
Number of installed fixed lines (thousands)(1)	4,700	4,851	4,793	4,689	4,595
Number of fixed lines in service (thousands)(2)	4,124	4,128	4,141	4,107	4,060
Fixed lines in service per 100 inhabitants(3)	20	21	21	21	21
<i>Lines in service per employee</i>	375	371	373	379	366
<i>ARBU (in P\$/month) (national + international)</i>	52.5	48.2	45.7	42.8	40.9
Fixed Internet access lines (thousands)	1,707	1,629	1,550	1,380	1,214
Arnet subscribers (thousands)	1,687	1,622	1,540	1,377	1,184
<i>ARPU/ADSL (access + ISP) (in P\$/month)</i>	124.7	102.3	87.0	76.1	66.7
Mobile subscribers in Argentina (thousands)	20,088	18,975	18,193	16,333	14,475
<i>Subscribers at year-end per employee</i>	3,897	3,612	3,774	3,738	3,810
<i>ARPU (in P\$/month)</i>	66.8	57.7	51.4	44.4	40.7
Mobile subscribers in Paraguay (thousands)(4)	2,420	2,301	2,149	1,878	1,806
<i>Subscribers at year-end per employee</i>	5,696	5,226	4,944	4,512	4,251
<i>ARPU (in P\$/month)</i>	34.6	27.5	26.4	22.2	18.8
Telecom Group Headcount(5)	16,581	16,808	16,346	15,647	15,330

- (1) Reflects total number of lines available in Switches.
(2) Includes lines customers, own usage, public telephony and ISDN channels.
(3) Corresponds to the Northern Region of Argentina.
(4) Includes Wi-Max Internet customers.
(5) Includes temporary employees.

Exchange Rates

The following tables show, for the periods indicated, certain information regarding the exchange rates for U.S. dollars, expressed in nominal pesos per dollar (ask price). See Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina.

	High	Low	Average(1)	End of Period
Year Ended December 31, 2009	3.85	3.49	3.75	3.80
Year Ended December 31, 2010	3.99	3.84	3.92	3.98
Year Ended December 31, 2011	4.30	3.97	4.15	4.30
Year Ended December 31, 2012	4.92	4.30	4.55	4.92
Year Ended December 31, 2013	6.52	4.98	5.55	6.52
Month Ended October 31, 2013	5.91	5.80	5.85	5.91
Month Ended November 30, 2013	6.14	5.93	6.02	6.14
Month Ended December 31, 2013	6.52	6.16	6.32	6.52
Month Ended January 31, 2014	8.02	6.55	7.12	8.01
Month Ended February 28, 2014	8.01	7.76	7.85	7.87
Month Ended March 31, 2014	8.01	7.86	7.93	8.00

April 2014 (through April 11, 2014)	8.00	8.00	8.00	8.00
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(1) Yearly data reflect average of month-end rates.

Sources: *Banco de la Nación Argentina*

During the first three months of 2014, the exchange rate of the Argentine peso suffered a devaluation of approximately 23% against the U.S. dollar. On April 11, 2014, the exchange rate was P\$8.00 = US\$1.00. As a result of fluctuations in the Argentine peso/U.S. dollar exchange rate, the exchange rate at such date may not be indicative of current or future exchange rates. Consequently, translations based on these exchange rates should not be construed as a representation that the peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

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Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

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Risk Factors

This section is intended to be a summary of more detailed discussions contained elsewhere in this Annual Report. The risks described below are not the only ones that we face. Additional risks that we do not presently consider material, or of which we are not currently aware, may also affect us. Our business, results of operations, financial condition and cash flows could be materially and adversely affected if any of these risks materializes and, as a result, the market price of our shares and our ADSs could decline. You should carefully consider these risks with respect to an investment in Telecom Argentina.

Risks Relating to Argentina

Overview

Substantially all of our property, operations and customers are located in Argentina, and a portion of our assets and liabilities are denominated in foreign currencies. Accordingly, our financial condition, results of operations and cash flows depend to a significant extent on economic and political conditions prevailing in Argentina and on the exchange rates between the peso and foreign currencies. In 2001 and 2002, the Argentine economy experienced a severe recession as well as a political crisis. The abandonment of dollar-peso parity in 2002 led to the significant devaluation of the peso against major international currencies. Although Argentina has experienced economic growth and political conditions have shown improvement in the last decade, uncertainty remains as to whether the growth is sustainable, as well as how several factors would impact the Argentine economy, including among others, inflation rates, exchange rates, commodity prices and healthy trade and fiscal balances.

Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad.

Since we realize a substantial portion of our revenues in pesos (our functional currency), any devaluation may negatively affect the U.S. dollar value of our earnings while increasing, in peso terms, our expenses and capital costs denominated in foreign currency. A depreciation in the Argentine Peso against major foreign currencies may also have an adverse impact on our capital expenditure program and increase the peso amount of our trade liabilities denominated in foreign currencies. Telecom seeks to manage the risk of devaluation of the peso by entering from time to time into certain NDF contracts to partially hedge its exposure to foreign currency fluctuations caused by its liabilities denominated in foreign currencies (mainly U.S. dollars). The Company also has cash and cash equivalents denominated in U.S. dollars that contribute to reduce the exposure to trade payables in foreign currencies. See Item 11 Quantitative and Qualitative Disclosures About Market Risk.

The Argentine Peso has been subject to significant devaluation against the U.S. dollar in the past and may be subject to fluctuations in the future. According to the exchange rate published by the Banco de la Nación Argentina, in the year ended December 31, 2013 the devaluation of the peso against the U.S. dollar was 32.5% and in the three months ended March 31, 2014 it was approximately 23%.

In late 2011 the Argentine government implemented a series of measures aimed at maintaining the level of reserves of the BCRA which are often used to fulfill payment obligations of public debt. To that effect, during the last quarter of 2011 and throughout 2012 and 2013, new measures to limit the purchase of foreign currency by private companies and individuals, such as requiring the authorization of tax authorities to access the foreign exchange market, were implemented. As a result, the implied exchange rate in the quoted price of Argentine securities that trade in foreign markets and in the local market increased significantly. Given the economic and political conditions in Argentina, we cannot predict whether, and to what extent, the value of the peso may depreciate or appreciate against the U.S. dollar,

the euro or other foreign currencies, which could partially or totally reduce the current gap between the exchange rate published by the Banco de la Nación Argentina and the implied exchange rate. We cannot predict how these conditions will affect the consumption of services provided by the Telecom Group or our ability to meet our liabilities denominated in currencies other than the peso. Moreover, we cannot predict whether the Argentine government will further modify its monetary, fiscal, and exchange rate policy and, if so, what impact any of these changes could have on the value of the peso and, accordingly, on our financial condition, results of operations and cash flows, and on our ability to transfer funds abroad in order to comply with commercial or financial obligations or dividend payments to shareholders located abroad.

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Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins.

In the past, Argentina has experienced periods of high inflation. Inflation has increased since 2005 and has remained relatively high since then.

The INDEC estimates that the Argentine consumer price increased by 10.9% in 2010, 9.5% in 2011, 10.8% in 2012 and 10.9% in 2013; and the wholesale price index increased 14.6% in 2010, 12.7% in 2011, 13.1% in 2012 and 14.8% in 2013. There has been a substantial disparity between the inflation indexes published by the INDEC and those higher estimated by private consulting firms.

Since January 2014, a new consumer price index is published in order to improve the accuracy of the macroeconomic statistics. The new index integrates a set of price indexes which allows the monitoring of the change in several prices in the economy (wholesale, commodities and construction costs, among others). In the two-month period ended February 28, 2014, the new consumer price index showed an increase of 7.2%.

The Argentine government continued implementing several actions to monitor and control prices for the most relevant goods and services. Despite such actions, the Argentine economy continues to experience consumer inflation. If the BCRA issues significant amounts of currency to finance public sector spending, to service public debt, to intervene in the foreign exchange market or to assist any financial institutions in distress, or if the value of the peso cannot be stabilized through fiscal and monetary policies, a significant increase in inflation rates could be expected.

Moreover, high inflation may undermine Argentina's foreign competitiveness in international markets, negatively affecting the level of economic growth, exports, balance of payments and employment. In addition, public sector spending has increased over the past years, which will probably cause continuing deterioration of the fiscal balance and lead to higher inflation.

Since the majority of our revenues are denominated in pesos, any further increase in the rate of inflation not accompanied by a parallel increase in our prices would decrease our revenues in real terms and adversely affect our results of operations. As discussed below under Risks Associated with Telecom and its Operations, Telecom Argentina's ability to increase its regulated rates is subject to approval of regulatory authorities and Personal's ability to increase its rates could also be negatively impacted by the governmental policy of freezing of prices that was extended to non-regulated sectors and by other regulation. See Changes in the laws and regulations of the Argentine mobile industry or restrictions on rate increases could adversely affect Personal. We cannot guarantee that any possible rate increase will be sufficient to counter the effect of inflation, and we cannot assure you that the results of any future regulated rate negotiations of Telecom Argentina will be favorable to us and to our financial condition.

Also, higher inflation leads to a reduction in the purchasing power of the population, mainly those unemployed and with low salary levels, thus increasing the risk of a lower level of service consumption from our fixed and mobile customers in Argentina.

Future policies of the Argentine government may affect the economy as well as the operations of the telecommunications industry.

The Argentine government has historically exercised significant influence over the economy, and telecommunications companies in particular have operated in a highly regulated environment. Due to the economic crisis of 2001 and 2002, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. In this context, the CNC adopted new interpretations of applicable regulations and imposed fines on telecommunications companies, particularly incumbent operators such as our

company. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Decree No. 764/00 Universal Service Regulation and Item 8 Financial Information Legal Proceedings Regulatory Proceedings for more information. In addition, local municipalities in the regions where we operate have also introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed line and mobile networks. For example, municipalities usually restrict areas where antennas may be deployed, causing negative impact for the

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mobile service coverage. Provinces have increased, and are continuing to increase, their tax rates, particularly the turnover tax rates, resulting in the highest rates in history. Municipal and provincial tax authorities have also brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. See Item 8 Financial Information Legal Proceedings Tax Matters for more information. However, we cannot assure you that the laws and regulations currently governing the economy or the telecommunications industry will not change, that the claims will be resolved in our favor, or that any changes to the existing laws and regulations will not adversely affect our business, financial condition, results of operations and cash flows.

Resolution SC No. 5/13, issued in July 2013, has set new benchmarks for the quality of services provided by telecommunications operators, including Telecom Argentina and Personal, setting metrics to be achieved that are considered high when compared to international standards and considering the current allocation of the spectrum and the lack of authorization to install antennas given by municipalities. This resolution has a gradual implementation schedule. Telecom Argentina, Personal and other telecommunications operators have submitted technical comments for a review of the metrics. However, if the technical comments are not taken into account, compliance with the metrics could be difficult which may result in potential penalties for telecommunications operators, including Telecom Argentina and Personal. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Resolution SC No. 5/13 .

In particular, in recent years the Argentine government has taken several actions to re-nationalize concessions and public services companies that were privatized in the 1990 s, such as Aguas Argentinas S.A. and Aerolíneas Argentinas S.A. Additionally, in May 2012, Law No. 26,741, established the expropriation of the 51% of the capital stock of YPF S.A. and the 51% of the capital stock of YPF GAS S.A., which were directly or indirectly owned by Repsol YPF S.A. (Repsol). After almost two years of negotiations, in February 2014 a final agreement was reached through which the Argentine government set the compensation for the expropriated capital stock in the amount of US\$5 billion to be paid with government securities. The agreement was approved by Repsol and its shareholders and is subject to the approval of the Argentine Congress.

These actions had a negative effect on the markets. We cannot provide any assurance that similar actions of the Argentine government will not be extended to other private companies or other sectors in the near future.

The Argentine government may exercise greater intervention in private sector companies, including Telecom Argentina.

The global economic and financial crisis in the recent years has resulted in a significant reduction in global GDP growth and a loss in consumer confidence in the financial sectors of many countries. To improve the countries financial condition and assist certain troubled industries, certain governments have responded with extraordinary intervention in the private sector. Certain governments of the leading industrialized nations have implemented various financial rescue plans outlining new regulatory frameworks that would be expected to remain in effect at least until market conditions and investor and consumer confidence have stabilized.

In November 2008, Argentina nationalized, through Law No. 26,425, its private pension and retirement system, which had been previously administered by the AFJP, and appointed ANSES as its administrator. Argentina s nationalization of its pension and retirement system constituted a significant change in the government s approach towards Argentina s main publicly traded companies. A significant portion of the public float of these companies was owned by the AFJP and is currently held by ANSES.

The government could exercise influence over corporate governance decisions of companies in which it owns shares by combining its ability to exercise its shareholder voting rights to designate board and supervisory committee

members with its ability to dictate tax and regulatory matters. Additionally, since the AFJP were significant institutional investors in Argentina, the nationalization of the private retirement system affected the way to access financing in capital markets for publicly traded companies.

In addition during 2012, Decree No. 1,278/12 stated that the Secretary of Economic Policy and Development Planning of the Ministry of Economy and Public Finance is responsible for the implementation of policies and actions regarding the exercise of shareholder rights of the equity shares of companies where the Argentine government is a minority shareholder and approved for that purpose a Regulation of officers and directors appointed by the shares or equity interests of the Argentine government, establishing the rules that they must follow in performing their duties.

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Subsequently, the Secretary of Economic Policy and Development Planning approved Resolution No. 110/12 which assigns the responsibilities, powers and duties set forth in Decree No. 1,278/12 to the Dirección Nacional de Empresas con participación del Estado (National Direction of Corporations with government participation).

In January 2013, a new Capital Market Act (No. 26,831) came into effect, granting new intervention powers to the CNV. In September 2013, the CNV issued regulations pursuant to Law No. 26,831 through Resolution No 622/13 that approved the new text of the CNV rules. See Item 9 The Offer and Listing The Argentine Securities Market New Capital Market Act Law No. 26,831 .

These matters could create uncertainties for some investors of public companies in Argentina, including Telecom Argentina.

Argentina s economy may contract in the future due to international and domestic conditions.

The effects of the global economic and financial crisis in recent years and the general weakness in the global economy may negatively affect emerging economies like Argentina s. Although Argentina has experienced economic growth in recent years, and developed countries had a better performance in 2013, global financial instability may impact the Argentine economy and cause Argentina a slowdown of the growth rate or could lead to a recession generating a fiscal deficit and increased unemployment.

Several international economic, social and political factors could affect the global financial markets, such as, among other factors, a growing concern regarding government deficits, governments abilities to honor their respective sovereign debts, social unrest and general uncertainty about the global economic recovery.

Moreover, the growth trend that the Argentine economy has experienced in the most recent years might be negatively affected by several domestic factors such as an appreciation of the real exchange rate, which could affect its competitiveness, diminishing or even reversing the country s positive trade balance and, if coupled with an increase in capital outflows, might reduce consumption and investment levels as a result of increased pressure on the foreign exchange rates. Additionally, abrupt changes in monetary and fiscal policies or foreign exchange regime could rapidly affect local economic output, while lack of appropriate levels of investment in certain economy sectors could reduce long term growth. Because access to the international financial market could be limited, an increase in public spending not correlated with an increase in public revenues could affect the country s fiscal results and generate uncertainties that might affect the economy s level of growth.

If international and domestic economic conditions for Argentina were to worsen, Argentina could be negatively affected as a result of lower international demand and lower prices for its products and services, higher international interest rates, lower capital inflows and higher risk aversion, which may also adversely affect our business, results of operations, financial condition and cash flows.

Economic and legal conditions in Argentina remain uncertain.

Although general economic conditions have shown improvement in the last decade, and political protests and social disturbances have diminished considerably since the economic crisis of 2001 and 2002, the nature of the changes in the Argentine political, economic and legal environment over the past several years has given rise to uncertainties about the country s business environment.

In the event of any economic, social or political crises, companies in Argentina may face the risk of strikes, expropriation, nationalization, forced modification of existing contracts, and changes in taxation policies including tax

increases and retroactive tax claims. In addition, Argentine courts have issued rulings changing the existing jurisprudence on labor matters and requiring companies to assume increasing responsibility for, and assumption of costs and risks associated with, utilizing sub-contracted labor and the calculation of salaries, severance payments and social security contributions. Also, there was an increase in claims regarding compensations for work accidents over the cap established by the current relevant legislation. Since we operate in a context in which the governing law and applicable regulations change frequently, it is difficult to predict whether our commercial activities will be affected positively, negatively or at all by such changes.

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Substantially all of our operations, properties and customers are located in Argentina, and, as a result, our business is, to a large extent, dependent upon economic and legal conditions prevailing in Argentina. If economic and legal conditions in Argentina were to deteriorate, they would be expected to have an adverse effect on our financial condition, results of operations and cash flows.

Argentina's past fiscal problems and the incomplete restructuring of Argentina's sovereign debt may negatively affect the macroeconomic environment.

Although Argentina has shown improved fiscal results in recent years, it has a history of fiscal deficits. Since almost all of the financial obligations of the Argentine government were denominated in foreign currencies at the time the dollar-peso parity was eliminated in early 2002, there was an increase in the cost of financial services (in terms of Argentine Pesos) of the debt of the Argentine government. Also, since the Argentine government's fiscal revenues were denominated in large part in Argentine Pesos, the Argentine government was severely affected in its ability to carry out its payment obligations using foreign currency and defaulted on a significant part of its public debt in 2002. The Argentine government's sovereign debt default and its consequences may continue to negatively affect the ability of private companies, including Telecom, to access the capital markets or other forms of financing.

The Argentine government implemented a debt restructuring effort mainly through two debt exchange offers. The first and largest was closed on February 25, 2005 and the second took place in 2010. Nonetheless, a number of bondholders who held out from the exchange offers have initiated legal actions against the Argentine government. In late 2012, further rulings favoring the holdout positions and putting into risk the ability to serve its debt under foreign legislation exacerbated uncertainties and increased sovereign risk. In 2013, the New York State Court of Appeals ratified its ruling against Argentina. Argentina has appealed to the Supreme Court of the United States, and the case is still pending resolution. A judgment against the Argentine government in these pending cases could lead to a default of its public debt and reduce the sources of funding and investment capital and could potentially impact the government's ability to adopt measures that promote economic growth.

After the economic crisis in 2002, the Argentine government has maintained a policy of fiscal surplus. To be able to repay its debt, the Argentine government may be required to continue adopting austere fiscal measures that could adversely affect economic growth.

As of June 30, 2013, the outstanding principal amount of Argentina's public debt was equivalent to US\$196.1 billion (of which approximately 59% was denominated in foreign currency) of which US\$11.5 billion were not tendered in the exchange offers and are still pending to be restructured.

There can be no assurance that the Argentine government will not default on its obligations under its bonds if it experiences another economic crisis. A new default by the Argentine government could lead to a new recession, higher inflation, restrictions on Argentine companies to access financing and funds, limit the operations of Argentine companies in the international markets, higher unemployment and social unrest, which would negatively affect our financial condition, results of operations and cash flows. In addition, we have investments in sovereign Argentine bonds which could be restructured in a way that negatively affects their valuation and repayment terms. See Note 20 to our Consolidated Financial Statements.

The Argentine banking system may be subject to instability.

The Argentine banking system collapsed in 2001 and 2002, when the Argentine government restricted bank withdrawals and required mandatory conversion of dollar deposits to pesos. From 2005 to 2007, a period of economic growth coupled with relative stability of the country's exchange rate and inflation resulted in the restoration of public

confidence, a gradual accumulation of deposits in Argentine financial institutions, and improved liquidity of the financial system. However, since 2008 certain events like internal conflicts with certain sectors of the economy, the international financial crisis and finally, the increased regulation on the foreign exchange market, decreased depositors confidence. These events led to a slowdown in the growth of deposits, initially increased the dollarization of private deposits and were followed by substantial withdrawals of the dollarized deposits. Despite improvements in stability since 2002 we cannot be certain that another collapse will not occur in the future.

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Financial institutions are particularly subject to significant regulation from multiple regulatory authorities, all of whom may, amongst other things, establish limits on commissions and impose sanctions on the institutions. The lack of a stable regulatory framework could impose significant limitations on the activities of the financial institutions and could create uncertainty with respect to the financial system stability.

A new crisis of the Argentine banking system or the consequent instability of one or more of the larger banks, public or private, could have a material adverse effect on the prospects for economic growth and political stability in Argentina, resulting in a loss of consumer confidence, lower disposable income and fewer financing alternatives for consumers. These conditions would have a material adverse effect on us by resulting in lower usage of our services and the possibility of a higher level of uncollectible accounts or increase the credit risk of the counterparties regarding the Company investments in local financial institutions.

Shareholders may be liable under Argentine law for actions that are determined to be illegal or ultra vires.

Under Argentine law, a shareholder's liability for losses of a company is limited to the value of his or her shareholdings in the company. Under Argentine law, however, shareholders who vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's bylaws (or regulations, if any) may be held jointly and severally liable for damages to such company, to other shareholders or to third parties resulting from such resolution. In connection with recommending any action for approval by shareholders, Telecom Argentina's Board of Directors occasionally obtains and plans to obtain opinions of counsel concerning the compliance of its actions with Argentine law and Telecom Argentina's bylaws (or regulations if any). Although, based on advice of counsel, Telecom Argentina believes that a court in Argentina in which a case has been properly presented would hold that a noncontrolling shareholder voting in good faith and without a conflict of interest in favor of such a resolution and based on the advice of counsel that such resolution is not contrary to Argentine law or the Company's bylaws or regulations, would not be liable under this provision, we cannot assure you that such a court would in fact rule in this manner.

Delays in the attribution and allocation of radio spectrum can adversely affect Argentina's mobile industry.

The SC is the authority responsible for administering the use of radio electric spectrum and, consequently, for the attribution of new segments of frequencies and the reallocation of the existing segments of frequencies for mobile service. Additionally, the regulation of administration, management and control of radio spectrum provides for the prior intervention of the CNDC, and for a joint performance with the SC, in certain circumstances, for example, in determining the safeguards designed to prevent the concentration of spectrum and the occurrence of a dominant position. It is important to point out that, current spectrum used by mobile operators in AMBA is 132.5 Mhz while in 1999 it was 170.0 Mhz, representing a 37.5 Mhz reduction in the spectrum used in that area. Such reduction is equivalent to the frequency bands needed for the operation of a unique operator. Delays in the allocation of new frequencies, the reallocation of existing frequencies and their subsequent auction could affect the quality of services, the future development of the sector and the implementation and commercialization of new advanced services, among others, such as mobile Broadband and its applications.

The recently proposed reform of the Argentine Civil Code and Commercial Code may materially impact our contractual relationships.

The Argentine Senate approved a reform of Argentina's Civil Code and Commercial Code in November 2013, hereinafter, the bill. Approval by the Chamber of Deputies is pending.

Among the reforms introduced by the bill are the addition of new categories of contracts, such as adhesion contracts with standard form clauses and consumer contracts. The reform also includes a series of general principles with respect to consumer contracts which complement the Consumer Protection Law (Law No. 24,240). Practices that limit consumers' freedom of contract, particularly practices that tie the provision of goods and services to the simultaneous acquisition of other goods and services, are specifically regulated.

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The proposed reform provides that contracts with payment denominated in foreign currency are to be regarded as contracts for goods which may be paid for in Argentine pesos.

The proposed reform also creates modern contract forms such as commercial agency, commercial concession, distribution and franchise contracts which were not previously covered by existing law. The reform expands limitations on the assumption of freely bargained contracts which previously had only been applicable to consumer contracts. The reform would also allow judges to modify unfair clauses in contracts.

With respect to agency contracts, the proposed law would assume an indefinite duration period unless otherwise specified by the parties. The continuation of an agency relationship beyond the term of a contract would create a new contract for an indefinite period on the same terms. For either party to end the relationship, that party must provide advance notice of one month per year of the duration of the agreement. A party who fails to give such notice would be liable for consequential damages, lost profits and other damages.

The bill will require judicial interpretation, and the ultimate consequences of the reform may be unpredictable. If approved, we will have to review, among other things, contractual guidelines with our suppliers and customers (for example, bundling offers), as well as payments under our contracts denominated in foreign currency.

Risks Associated with Telecom and its Operations

The Pesification and freezing of rates may continue to adversely affect Telecom Argentina's revenues.

In accordance with the Public Emergency Law, in January 2002, rates for Basic telephone services and long distance services were converted to pesos and fixed at an exchange rate of P\$1.00=US\$1.00. The rates that Telecom Argentina may charge in the future will be determined by negotiations between Telecom Argentina and the Argentine government. According to the Public Emergency Law, while undertaking these negotiations, the Argentine government must consider the effect of these rates on the competitiveness of the general economy, the quality of service and investment plans of service providers, as contractually agreed. The Argentine government must also consider consumer protection, accessibility of the services and the profitability of public service providers such as Telecom Argentina. The Public Emergency Law has been subsequently extended through December 31, 2015. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Rates.

On March 6, 2006, Telecom Argentina executed a Letter of Understanding (the Letter of Understanding 2006) with the Argentine government pursuant to which Telecom Argentina will be permitted to raise certain rates and incorporate certain modifications to the current regulatory framework. Under the Letter of Understanding 2006, the only agreed-upon adjustments to the rate structure were the rate increases to the termination charge for international incoming calls and the extension of the time bands for peak-hour rates applied to local and domestic long distance calls. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Rates.

The Letter of Understanding 2006 contemplated the signing and effectiveness of the Minutes of Agreement of the Renegotiation upon the fulfillment of certain necessary steps. As of the date of this Annual Report, such fulfillment has yet to occur. Although we expect such fulfillment to occur, we cannot guarantee if or when this will happen. We are unable to predict the outcome of the negotiations that are continuing with regard to further rate increases and the rate scheme which will be applied in the future. Moreover, we are unable to predict whether the Argentine government, as a result of the current rate renegotiations, will impose additional conditions or requirements, and if these conditions or requirements are imposed, whether we will be able to satisfy them.

Rate restrictions for regulated services may continue for a number of years and may affect revenues from fixed line and other services. While we intend to continue to strive to control operating costs and capital expenditures and improve productivity, these efforts has not offset the significant decline in profit margins and operating results that resulted from mandatory rate freezing and the increase in costs due to high levels of investment in capital expenditures and higher operating costs.

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We are subject to a complex series of laws and regulations with respect to most of the telecommunications services that we provide. Such laws and regulations are often governed by considerations of public policy. We provide telecommunications services pursuant to licenses that are subject to regulation by various regulatory bodies. Any partial or total revocation of the licenses would likely have a material adverse impact on our financial condition, results of operations and cash flows. Our dissolution and the declaration of bankruptcy, among others, are events that may lead to a revocation of our licenses.

Certain license conditions are not within our control. For example, any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina without prior approval of the regulatory authorities may result in the revocation of Telecom Argentina's license. See Item 7 Major Shareholder and Related Party Transactions Shareholders of Nortel. Pursuant to the provisions of Telecom Argentina's List of Conditions as amended by Resolutions SC No. 111/03 and No. 29/04: (i) any reduction of ownership of Nortel in our capital stock to less than 51% without prior approval of the Regulatory Bodies; or (ii) any reduction of ownership of currently common shareholders in the capital stock with voting power of Nortel to less than 51% without prior approval of the Regulatory Bodies, may result in the revocation of Telecom Argentina's telecommunications license.

Nortel owns all of Telecom Argentina Class A Ordinary Shares (51% of our total capital stock) and approximately 7.64% of our Class B Ordinary Shares (3.74% of our total capital stock) which, in the aggregate, represents approximately 54.74% of our total capital stock as of the date of this Annual Report. Because Telecom Argentina owns 15,221,373 of its own Class B Shares as of the date of this Annual Report, Nortel's ownership of the outstanding shares amounts to 55.60% (51.80% consists of Class A Ordinary Shares and 3.80% of Class B Ordinary Shares). We are directly controlled by Nortel by virtue of Nortel's ownership of a majority of our capital stock; however, Nortel's controlling interest is subject to certain agreements among Sofora's shareholders. In addition, the Telecom Italia Group and W de Argentina Inversiones (a company that is part of the Argentine Werthein Group) are each required to maintain direct ownership of at least 15% of the common stock of Sofora.

Compliance with conditions in our license and related regulations and laws may be affected by events or circumstances outside of our control, and therefore we cannot predict whether such events or circumstances will occur and if any do occur, this could result in an adverse effect on our financial condition, our operations and cash flows.

We operate in a competitive environment that may result in a reduction in our market share in the future.

We compete with licensed provider groups, composed of, among others, independent fixed line service providers, mobile and cable operators, as well as individual licensees, some of which are affiliated with major service providers outside Argentina. As of December 31, 2013, more than 1,000 licenses for local and/or long distance services, payphones and Value Added Services had been granted since the end of the exclusivity period.

Internet and mobile services, which we expect will continue to account for an increasing percentage of our revenues in the future, are characterized by rapidly changing technology, evolving industry standards, changes in customer preferences and the frequent introduction of new services and products. To remain competitive in the fixed telecommunications market, we must invest in our fixed-line network and information technology. Specifically, in the Internet services market, we must constantly upgrade our access technology and software in order to increase the speed, embrace emerging transmission technologies and improve the commercial offers and the user experience. Also, to remain competitive in the mobile telecommunications market, we must enhance our mobile networks by expanding our network infrastructure and extending 3G and HSPA+ technology and bandwidth in mobile data transmission. In

addition, a key factor for Personal s competitiveness is to be awarded with new mobile frequency bands. Future technological developments may result in decreased customer demand for certain of our services or even render them obsolete. In addition, as new technologies develop, equipment may need to be replaced or upgraded or network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures.

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We also anticipate that we will have to devote significant resources to the refurbishment and maintenance of our existing network infrastructure to comply with regulatory obligations particularly regarding fixed line services and to remain competitive with the quality of our services in both Internet and mobile business. We also expect to continue to devote resources to customer retention and loyalty in such segments.

The macroeconomic situation in Argentina may adversely affect our ability to successfully invest in, and implement, new technologies, coverage and services in a timely fashion. Accordingly, we cannot assure you that we will have the ability to make needed capital expenditures and operating expenses. If we are unable to make these capital expenditures, or if our competitors are able to invest in their businesses to a greater degree and/or faster than we are, our competitive position will be adversely impacted.

Moreover, the products and services that we offer may fail to generate revenues or attract and retain customers. If our competitors present similar or better responsiveness, functionality, services, speed, plans or features, our customer base and our revenues may be materially affected.

We also expect that the level of competition in our markets may continue to increase in the future, particularly as a result of the emergence of the operator Argentine Satellite Solution Corporation S.A. (ARSAT a company wholly owned by the Argentine government) which could initially result, among other things, in increased wholesale competition and in a decline in governmental agency customers for fixed and mobile services due to a potential preference of public entities to hire ARSAT.

Competition is and will continue to be affected by our competitors' business strategies and alliances. Accordingly, we may face additional pressure on the rates that we charge for our services or experience a loss of market share of fixed and mobile services. In addition, the general business and economic climate in Argentina may affect us and our competitors differently; thus our ability to compete in the market could be adversely affected.

Even though the Company grew and developed in recent years in a highly competitive market, because of the range of regulatory, business and economic uncertainties we face, as discussed in this Risk Factors section, it is difficult for us to predict with meaningful precision and accuracy our future market share in relevant geographic areas and customer segments, the drop in our customer's consumption which could result in a reduction of our revenue market share, the speed with which change in our market share or prevailing prices for services may occur or the effects of competition. Those effects could be material and adverse to our overall financial condition, results of operations and cash flows.

Changes in the laws and regulations of the Argentine mobile industry or restrictions on rate increases could adversely affect Personal.

The Argentine mobile industry is currently subject to an important set of regulations that has enabled the development of a highly competitive and intense capital expenditure environment. Notwithstanding, in the last few years several bills were introduced in the Argentine Congress proposing a substantial change through the classification of the mobile industry as a public service which could result in deeper and specific regulations regarding rates, quality of service, coverage areas or other core aspects of our business. Other bills were also introduced in the Congress proposing changes to specific rules that regulate Personal's services, such as changes in billing processes and customer service.

In addition, in September 2013 the SC issued a resolution establishing a procedure for public comment on the Draft Regulation for Users of Mobile Communication Services. See Item 4 Information on the Company Regulatory Framework Regulatory Environment for a description of these regulations.

Although mobile telephony is a non rate regulated industry, we cannot predict whether current or new factors, including governmental initiatives in order to reduce inflation rates, would negatively impact Personal s ability to apply rate increases, thus negatively affecting the profit margins and the level of cash flows.

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Future allocations of mobile frequency bands may affect the competitiveness of the Argentine mobile industry and could impact Personal's competitive position within it.

Telefónica Móviles Argentina S.A. returned to the Argentine government the frequency bands exceeding an aggregate 50 MHz, as a result of the combination of operations of Unifón and Movicom in 2004, in accordance with the current laws and pursuant to a plan to be subsequently issued. In 2005, the SC issued its plan relating to the return of those frequency bands although it did not stipulate how the returned bands would be reallocated or assigned to other operators.

The launch of the auction to reassign the 850 MHz and 1,900 MHz frequency bands returned by Telefónica Móviles Argentina S.A. was postponed several times. Finally, in May 2011 the auction was launched by SC Resolution No. 57/11. Personal took part in the spectrum auction process and expected to acquire additional spectrum to complete its Spectrum cap throughout Argentina, but, on September 5, 2012, Personal was notified of SC Resolution No. 71/12, by which the auction was canceled for reasons of opportunity, merit and convenience of the Argentine government. As part of that process, the CNDC issued an opinion, as requested by the SC, by which it recommended against assigning additional frequency bands through auction to Personal regardless of the cap established by the regulatory authority in order to avoid the risk that such additional spectrum could cause. However, this recommendation was not considered in evaluating Personal in the auction nor in the reasons for cancelling the auction. Personal believes that the grounds of this opinion are clearly contrary to the current regulatory framework and to the previous actions of the government.

By Presidential Decree No. 2426/12 issued in December 2012, the current spectrum and telecommunication license general regulation was modified to allow the SC to allocate spectrum directly to government organizations (or organizations where the state is the main owner) without proceeding with a public auction as was required before this modification. It also mandates the SC to allocate the spectrum from the recently cancelled auction (which represents approximately 20% of current mobile spectrum available) to Argentine Satellite Solution Corporation S.A. (ARSAT a company wholly owned by the Argentine government). See Item 4 Information on the Company Regulatory Framework Regulatory Bodies and General Legal Framework for a description of the dispositions of Decree No. 2,426/12.

In December 2012 the President announced the launching of a new state owned mobile service branded libre.ar. The business plan has not been presented and details of these operations were not disclosed yet.

The government's dual-role, as both regulator and competitor, represents a significant change in the mobile industry. We cannot assure you that it could not open several risks to Personal's business including possible adverse changes in the regulatory framework and the current market rules.

The lack of allocation of additional frequency bands is negatively affecting the quality of service of all the Argentine mobile operators and the evolution of the sector, exposing Personal to the loss of revenues, difficulties in developing new business, claims of customers and fines imposed by authorities. It could also adversely affect Personal's competitive position and may require higher capital expenditures for Personal to continue providing high quality mobile services to its customers. See Item 4 Information on the Company Regulatory Framework Other Regulations Regulations Applicable to PCS Services for a detailed description of Personal's license.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but until now there is no scientific evidence of harmful effects on health. We cannot rule out that exposure to electromagnetic fields or other emissions originating from mobile handsets will finally not be identified as a health risk.

Although Argentine mobile operators comply with the international security standards established by the World Health Organization and Argentine regulations, which are similar, our mobile business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability. In addition, these concerns may cause regulators and municipalities to impose restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and/or may require additional investments.

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Operational risks could adversely affect our reputation and our profitability.

Telecom Argentina faces operational risks inherent in its business, including those resulting from inadequate internal and external processes, fraud, inability to perform certain operations required by the judiciary due to inadequate technology, employee errors or misconduct, failure to comply with applicable laws, failure to document transactions properly or systems failures. In addition, unauthorized access to the Company's information systems or institutional sites could cause the loss or improper use of confidential information, unauthorized changes in the Company's information and network systems or alterations to the Company's information published on these sites. These events could result in direct or indirect losses, technical failures in the Company's ability to provide its services, inaccurate information for decision making, adverse legal and regulatory proceedings, and harm to its reputation and operational effectiveness, among others.

Telecom Argentina has risk management practices at the highest levels designed to detect, manage and monitor the evolution of these kinds of operational risks, and for this purpose it established a Risk Management Committee in September 2012.

However, there is no guarantee that these measures will be successful in effectively mitigating the operational risks that Telecom Argentina faces and such failures could have a material adverse effect on its results of operations and could harm its reputation.

Nortel, as our controlling shareholder, and Sofora, as Nortel's controlling shareholder, exercise control over significant matters affecting us.

Nortel is our direct controlling shareholder. Sofora owns 100% of the common stock of Nortel, which represents 78.38% of the total capital stock of Nortel as of the date of this Annual Report. Sofora is 68% owned by Telecom Italia Group and 32% owned by W de Argentina Inversiones.

Through their ownership of Sofora and the Shareholders' Agreement between them, the Telecom Italia Group and W de Argentina Inversiones have, as a general matter, the ability to determine the outcome of any action requiring our shareholders' approval, including the ability to elect a majority of directors and members of the Supervisory Committee. In addition, we have been informed that, pursuant to the Shareholders' Agreement entered into between the Telecom Italia Group and the Wertheim Group, the Telecom Italia Group and W de Argentina Inversiones have agreed among themselves to certain matters relating to the election of our directors and those of Nortel and Sofora and have given W de Argentina Inversiones veto power with respect to certain matters relating to us. See Item 7 Major Shareholders and Related Party Transactions Shareholders' Agreement.

We have engaged in and will continue to engage in transactions with these shareholders of Nortel and, at the present time, of Sofora, and their affiliates. Certain decisions concerning our operations or financial structure may present conflicts of interest between these shareholders as indirect owners of Telecom Argentina's capital stock and as parties with interests in these related party contracts.

Nevertheless, all related party transactions are made on an arm's length basis and those which exceed 1% of Telecom Argentina's shareholders' equity are subject to a prior approval process established by Law No. 26,831 and require involvement of the Audit Committee and/or an opinion of two independent valuation firms as well as subsequent approval by the Board of Directors to verify that the agreement could reasonably be considered to be in accordance with normal and habitual market practice. See Item 7 Major Shareholders and Related Party Transactions Related Party Transactions.

On November 14, 2013 Telecom Italia S.p.A and Telecom Italia International N.V. (collectively, the Sellers) and Tierra Argentea S.A. (Tierra Argentea , a company controlled by the Sellers) announced their acceptance of the offer made by Fintech Group (Fintech) to acquire Telecom Italia s controlling stake in Telecom Argentina owned by the Sellers through their subsidiaries Sofora, Nortel, and Tierra Argentea. See Item 7 Major Shareholder and Related Party Transactions Shareholders of Nortel.

Our operations and financial condition could be affected by union negotiations.

In Argentina, labor organizations have substantial support and have considerable political influence. In recent years, the demands of our labor organizations have increased mainly as a result of the increase in the cost of living (which was affected by increased inflation) and a decline in the population s purchasing power.

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In addition, telecommunication labor organizations continue to request that we delegate currently outsourced tasks to Telecom Argentina's employees.

If labor organization claims continue or are sustained, this could result in increased costs and greater conflict in the negotiation process. See Item 6 Directors, Senior Management and Employees Employees and Labor Relations.

The Argentine government may order salary increases to be paid to employees in the private sector or changes in labor regulations, which would increase our cost of doing business.

The Argentine government has in the past and may in the future promulgate laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees (including higher levels of severance payments to former employees dismissed without proper cause). We cannot guarantee that the government will not adopt measures, as it did in the past, which will increase salaries or require us to provide additional benefits, which would increase our costs and, among other things, in the absence of an adjustment of regulated rates in our fixed services segments, continue reducing our profit margins.

Moreover, there are certain bills pending in the Argentine Congress regarding modifications to labor regulations such as increasing severance payments or considering amounts paid to employees that are currently not subject to social security contributions as part of the normal and usual employees' salaries, increasing liability of the companies for the contractor's and sub-contractor's employees in outsourced tasks and the implementation of a regime that would entitle employees to participate in the profits of companies that employ them.

If such bills are approved, the modifications in current labor regulations and conditions could materially impact our relationship with our employees by increasing the labor cost and in some cases decreasing the flexibility to provide services to our clients.

The Regulatory Bodies may impose increased penalties on Telecom Argentina and Personal.

The Regulatory Bodies have increased the number of cases and the amount of fines applied to Telecom Argentina mainly in connection with alleged delays in repairing defective fixed lines installation and/or installing new fixed lines. Additionally, the Regulatory Bodies have initiated various administrative procedures against Telecom Argentina and Personal related to temporary interruptions of services caused by various incidents. Lately the Authorities have threatened Personal with the applications of fines and the obligation to pay compensation to the clients involved. In many of these cases, we believe that the Authorities are misinterpreting the legal framework of our telecommunication license or exceeding the legal terms of the service provision. Neither final administrative nor judicial decisions on these cases have not been made yet. We cannot foresee whether the Regulatory Bodies based on the increased number of administrative complaints will seek to apply significant sanctions to Telecom Argentina or Telecom Personal, any of which could have an adverse effect on Telecom Argentina or Personal's operations, financial situation, results of operations and cash flows. See Item 4 Information on the Company Regulatory Framework Regulatory Environment.

We are involved in various legal proceedings which could result in unfavorable decisions and financial penalties for us.

We are party to a number of legal proceedings, some of which have been pending for several years. We cannot be certain that these claims will be resolved in our favor. Responding to the demands of litigation may divert Management's time and attention and financial resources.

In addition, in recent years, certain changes in the treatment of employment matters under Argentine law have created new incentives for individuals to pursue employment-related litigation in Argentine courts. These changes include holdings that an employee of a contractor or subcontractor may file a direct action against the company contracting the work, that any cap on severance pay in cases of dismissal without cause is unconstitutional, that an employee may bring a civil action in the event of an occupational accident, and that an employee can bring a lawsuit against the employer because of changes in working conditions. Additionally, the Company is exposed to claims of employees of contractors and subcontractors and commercial agents claiming direct or indirect responsibility of Telecom based on a broad interpretation of the rules of labor law.

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Also, the Company is subject to various lawsuits initiated by some employees and former employees who claim wage differences arguing different reasons. The Argentine Supreme Court in a case against Cervecería y Maltería Quilmes ruled that non-remunerative items resulting from collective bargaining agreements should be considered as salaries for all purposes. Such ruling creates a negative precedent in this matter and could imply increased labor costs for us. See

Item 8 Financial Information Legal Proceedings Labor Claims Wage differences by food vouchers and non-remunerative sums.

Additionally, we cannot assure you that after the recategorization process executed by Telecom Argentina in 2012 as a result of the agreements reached with the labor organizations, individual employee claims will not be filed regarding such recategorization process.

In the past, Personal was subject, and currently is subject, to claims by former representatives (commercial agents) who end their business relationship by making claims for reasons that are not always justified by contract terms.

Personal maintains agreements with VAS suppliers. Amounts billed to its customers resulting from these agreements are recorded as Personal's revenues while commissions paid to VAS suppliers as a percentage of services billed to customers are recorded as expenses (Costs of VAS). Personal's customers can subscribe to VAS services directly from the VAS supplier. During 2013 there was a significant increase of VAS revenues resulting in an increase of the customers' claims regarding these services. Although Personal has taken actions in connection with the VAS suppliers in order to reduce risks regarding the provision of the services to its customers, we can not assure you that significant claims regarding VAS services will not be presented in the future.

As a result, Telecom Argentina and Personal may face increased risk of employment, commercial, regulatory and customers' proceedings. If this occurs, we cannot guarantee that it will not have an adverse effect on our results of operations, financial condition and cash flows, despite the provisions that the Company has recorded to cover from these matters, as it is described in Item 8 Financial Information.

The CNC regulates telecommunications services in Argentina and in its capacity is empowered to apply economic sanctions against licensees for breaches of the current regulatory framework. Recently, there has been a growing trend of imposing sanctions on Telecom Argentina for technical reasons, mainly related to the delay in repairing defective lines and/or installing new lines. In addition, there were an increased number of sanctions on Telecom Argentina and Personal regarding service failures. Although penalties are appealed in the administrative stage, if the appeals are not solved in our favor in administrative or judicial stage, or the penalties imposed by the CNC increased, it could have an adverse effect on our financial situation, results of our operations and cash flows. See Item 8 Financial Information Legal Proceedings Regulatory Proceedings.

In 2009, the environmental agency required Telecom Argentina to be registered in the National Registry of Generators and Operators of Hazardous Waste as a result of alleged problems with our liquid drainage at an underground chamber (as it had been previously required to do in 1999). This registration would require Telecom Argentina to pay an annual fee calculated in accordance with a formula that takes into consideration the extent of the hazard and the quantity of the waste. Telecom Argentina filed a request for administrative review seeking to obtain rejection of the environmental agency's ordinance. We cannot guarantee that the rejection will be obtained. In addition, changes in environmental legislation or the evolution of products and services we offer could require Telecom Argentina to be registered in the National Registry of Generators and Operators of Hazardous Waste. In that case or if the rejection of the environmental agency's ordinance is not obtained, Telecom Argentina would face increased costs which may include retroactive fees.

See Item 8 Financial Information Legal Proceedings Civil, commercial, labor, regulatory, tax and other matters proceedings.

The enforcement of regulations aimed at protecting consumers may have an adverse effect on us.

The Consumer Protection Act No. 24,240 (the Consumer Protection Act) establishes a series of principles and rules for the protection of consumers and users. The Consumer Protection Act applies to the telecommunications industry and to any other industry in which consumers and users are involved.

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Telecom Argentina and Personal have received several customer complaints in connection with the provisions of the Consumer Protection Act that were filed with different law enforcement bodies (national, provincial or municipal). In the last few years there was also an increase in legal actions brought by consumer associations. See Item 8 Financial Information Legal Proceedings Civil, commercial, labor, regulatory, tax and other matters proceedings General Proceedings Consumer Trade Union Proceedings.

This situation may entail risks for Telecom Argentina and Personal concerning, among others, the prices charged for its services, or the obligation to return amounts charged for its services. If such were the case, any of such consequences could have an adverse effect on our financial situation, results of our operations and cash flows.

The BCRA has imposed restrictions on the transfer of funds outside of Argentina in the past; some restrictions currently exist and may increase in the future, which could prevent us from making payments on dividends and liabilities.

In the past, the Argentine government has imposed a number of monetary and currency exchange control measures, including temporary restrictions on the free availability of funds deposited with banks and restrictions or limitations on the access to foreign exchange markets and transfers of funds abroad, including for purposes of paying principal and interest on debt, trade liabilities to foreign suppliers and dividend payments to foreign shareholders. Between the end of 2001 and 2002, the Argentine government implemented a unified exchange market (Mercado Único y Libre de Cambios MULC) with significant regulations and restrictions for the purchase and transfer of foreign currency.

Since late 2011 the Argentine government implemented a series of measures aimed to increase controls on the foreign trade and capital flows. To that effect, certain measures were implemented to control and limit the purchase of foreign currency, such as the prior approval of the AFIP for any purchase of foreign currency made by private companies and individuals for saving purposes. In addition, the BCRA expanded the controls and measures to make payments abroad accessing the local foreign exchange market, regarding trade payables and financial debt, and also established demanding procedures that must be met to pay certain trade payables with related parties. Although there are no regulations that prohibit making dividend payment to foreign shareholders, in practice authorities have substantially limited any purchase of foreign currency to pay dividends since these exchange controls were implemented. There can be no assurance that the BCRA or other government agencies will not increase controls and restrictions for making payments to foreign creditors or dividend payments to foreign shareholders, which would limit our ability to comply in a timely manner with payments related to our liabilities to foreign creditors or non-resident shareholders. See Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina.

Pursuing the same objective, in October 2011 Decree No. 1,722 eliminated an exception for oil, gas and mining companies, and thus requires these companies to liquidate all their export receipts in the local foreign exchange market. Moreover, in October 2011 the National Insurance Bureau issued Resolution No. 36,162 imposing the obligation for insurance companies to repatriate all investments and liquid assets allocated outside Argentina. We cannot ensure that similar measures will not be implemented for other private companies or other sectors in the future.

In addition, starting in February 2012 all import operations of goods and services must be filed and approved in advance by AFIP. Such procedure could also negatively affect our supply chain, as some raw materials, equipment and handsets are imported by our suppliers.

Fluctuations in Telecom Argentina's share price depend on various factors, some of which are outside of our control.

The market price of our shares is subject to change due to various factors which are outside of our control such as changes in market expectations, changes in the economic, financial and political situation in Argentina, the way the Ministry of Economy and Public Finance (in exercise of shareholders' rights that belong to ANSES, according to Decree No. 1,278/12) will exercise its political rights and manage its share ownership in Telecom Argentina, and changes in measures used by investors or analysts to value our stock or market trends unrelated to our performance and operations. We cannot predict when such external factors will affect our stock price or whether their effects will be positive or negative.

In addition, currency fluctuations could impact the value of an investment in Telecom Argentina. Although Telecom Argentina's ADSs listed on the New York Stock Exchange are U.S. dollar-denominated securities, they do not eliminate the currency risk associated with an investment in an Argentine company.

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ITEM 4. INFORMATION ON THE COMPANY

INTRODUCTION

The Company

Telecom is one of the largest private-sector companies in Argentina in terms of revenues, net income and number of employees. Telecom Argentina has a non-expiring license (the License) to provide fixed-line telecommunications services in Argentina, and it also provides other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and Internet services. Through our subsidiaries, we also provide mobile telecommunications services and international wholesale services.

As of December 31, 2013, we had approximately 4.1 million fixed lines in service. This is equivalent to approximately 20 lines in service per 100 inhabitants in the Northern Region of Argentina and 375 lines in service per employee.

As of December 31, 2013, our Internet business reached approximately 1.7 million accesses and our mobile business had approximately 20.1 million subscribers in Argentina and approximately 2.4 million subscribers in Paraguay.

Business Strategy

The Telecom Group pursues a business strategy focused on increasing its profitability and maximizing value generation for its customers, shareholders, employees and the broader community it serves. In order to promote the achievement of its goals in a sustainable and consistent manner, the Telecom Group develops business plans according to the telecommunications market and macroeconomic environment and invests in products and services innovation aimed at improving its customers user experience by adding content, interactivity and convenience to communication.

Our priority focuses on operational efficiency and the effectiveness of planning and control processes. We view these as key competitive factors for our Company and its long-term corporate sustainability.

We invest in our human resources through communication, training and development programs, promoting work-life balance, enabling telecommuting and providing open and transparent relationships with individual employees and trade unions. We conduct our activities in accordance with the principles and values in our Code of Business Conduct and Ethics, which applies to all managers and employees in the Telecom Group, and which our suppliers are required to comply with. We have an experienced Management team that has demonstrated flexibility and aimed at achieving operational and economic goals.

We also consider the integrated vision of processes and technology to be a key factor of efficiency in our corporate Management and market competitiveness, thereby enabling us to provide high-value service options to the individual and business consumer.

Our investments in technology are designed to continuously adapt our coverage and capacity of our infrastructure and implement new service platforms. We aim to provide higher quality service to our increasing traffic volumes and demand for bandwidth, caused by the expansion of our customer base, the access to the network applications and to Value Added Services, access to social networks and content distribution. We intend to align these investments with cutting edge technologies and those that have been previously implemented in other parts of the world, capturing the benefits of international experience.

Through our Broadband and mobile Internet services, we offer our customers continuous Internet access, regardless of the users' physical location. We also provide our consumers with mobile equipment and applications that enhance personal communication, social relations, entertainment and professional performance.

For the corporate segment, we integrate communication solutions with information technology services by providing virtual access to applications and platforms at our datacenters.

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We maintain affordable prices commensurate with the market's purchasing power, focusing on achieving our revenue growth by expanding and developing our customer base and by offering new services and products. We simplified our price structure by developing service packages targeted to different consumer profiles, which provide customers with a clear view and control over their communication expenses.

The penetration of communication services in the Argentine market has continued to show sustained growth positioning above the regional average. Our growth rate is currently positioned above the market rate. New market development opportunities could result from a more favorable environment for investment and competition in the sector.

We believe that the strategy implemented by our Management sets the foundations for the Telecom Group to reach its goals of continuous service quality improvement, strengthening its market position and increasing its operating efficiency in light of new regulations for telecommunications and other rules of general application affecting the private sector in Argentina.

Organizational Structure

The following chart shows our subsidiaries as of December 31, 2013, and jurisdiction of organization.

(*) Dormant entity as of December 31, 2013.

(**) On February 10, 2014 Personal's Board of Directors approved the sale of its equity interest in Springville, which was completed on February 19, 2014.

Table of Contents**Consolidated Subsidiary Information**

The following table presents information relating to our consolidated subsidiaries for the year ended as of December 31, 2013:

Subsidiary(1)	Activity	Segment	Percentage of Ownership	Percentage of Telecom's Total Revenues and other income(5)
Telecom Personal S.A.	Mobile Services	Personal Mobile Services	99.99	70.1
Núcleo S.A.(2)	Mobile Services	Núcleo Mobile Services	67.50	4.2
Springville S.A.(2)(3)(4)	Mobile Services	Personal Mobile Services	100.00	
Telecom Argentina USA, Inc.	International Wholesale Services	Fixed Services	100.00	0.3
Micro Sistemas S.A.(3)	Electronic Equipment Sales	Fixed Services	99.99	
Total				74.6

- (1) Personal and Micro Sistemas are incorporated in Argentina while Núcleo, Springville and Telecom Argentina USA are incorporated in Paraguay, Uruguay and the United States, respectively.
- (2) Interest held indirectly through Personal.
- (3) Dormant subsidiary as of December 31, 2013.
- (4) On February 10, 2014 Personal's Board of Directors approved the sale of its equity interest in Springville, which was completed on February 19, 2014.
- (5) Includes service revenues, equipment sales and other income with third parties.

Our principal executive offices are located at Alicia Moreau de Justo 50, C1107AAB, Buenos Aires, Argentina, telephone number: 54-11-4968-4000.

Our authorized agent in the United States for SEC reporting purposes is Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715.

Recent Developments*Telecom Argentina's Board of Directors called for the Annual Shareholders Meeting*

Telecom Argentina's Board of Directors, at their meeting held on March 14, 2014, called a shareholders meeting to be held on April 29, 2014, to consider among other issues: (i) the allocation of Telecom Argentina's retained earnings as of December 31, 2013 suggested by the Board of Directors as follows: P\$9 million to the legal reserve; P\$1,202 million (P\$1.24 per outstanding share) for distribution of cash dividends in two equal installments of P\$601 million each, the first one to be paid on May 8, 2014 and the second one during September 2014, and P\$1,991 million to a Voluntary Reserve for Capital Investments; and (ii) the delegation of authority in Telecom Argentina's Board of Directors to determine the allocation of the Voluntary Reserve for Capital Investments.

Personal s Board of Directors called for the Annual Shareholders Meeting and approved disaffecting the Reserve for Future Cash Dividends

Personal s Board of Directors, at their meeting held on March 14, 2014, decided to call an ordinary and extraordinary shareholders meeting to be held on April 23, 2014, which, among other issues, will consider the allocation of P\$2,664 million of retained earnings as of December 31, 2013 to a Reserve for Future Cash Dividends and the delegation of authority in the Board for disaffecting and distributing such reserve, based on the proposal made by the Board of Directors.

The Board of Directors also approved disaffecting the remaining amount of the Reserve for Future Cash Dividends for an aggregate amount of P\$250 million to distribute as cash dividends on March 21, 2014.

Sale of the Equity Interest in Springville

On February 10, 2014 Personal s Board of Directors decided to approve the sale of its entire equity interest in Springville (representing 100% of Springville s capital stock), a company incorporated in Montevideo, República Oriental del Uruguay. The price of the transaction was US\$ 27,223, which was collected by Personal on February 19, 2014 (equivalent to P\$0.2 million).

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History

Telecom Argentina was created by Decree No. 60 of the executive branch dated January 5, 1990, and incorporated as Sociedad Licenciataria Norte S.A. on April 23, 1990. In November 1990, its legal name was changed to Telecom Argentina STET-France Telecom S.A. and on February 18, 2004, it was changed to Telecom Argentina S.A.

Telecom Argentina is organized as a corporation (*sociedad anónima*) under Argentine law. The duration of Telecom Argentina is 99 years from the date of registration with the Buenos Aires Public Registry of Commerce (July 13, 1990). Telecom Argentina conducts business under the commercial name Telecom.

Telecom Argentina commenced operations on November 8, 1990 (the Transfer Date), upon the transfer from the Argentine government of the telecommunications system in the Northern Region previously owned and operated by ENTel. This transfer was made pursuant to the Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees (the Privatization Regulations), which specified the privatization procedure for ENTel.

The Privatization Regulations provided for:

the division of the Argentine telecommunications network operated by ENTel into two regions, the Northern Region and the Southern Region of Argentina;

the granting to Telecom Argentina and Telefónica of non-expiring licenses to provide basic telecommunication services in the Northern Region and Southern Region, respectively;

the granting to Telintar and Startel, each joint subsidiaries of Telecom Argentina and Telefónica, of non-expiring licenses to provide international long distance and data transmission, respectively; and

the transfer by ENTel of substantially all of its assets and certain contracts into Telecom Argentina, Telefónica, Telintar and Startel.

On the Transfer Date, pursuant to the terms and conditions of a transfer contract (the Transfer Agreement), the Argentine government sold 60% of the common stock of Sociedad Licenciataria Norte S.A. to Nortel, a holding company formed by a consortium of investors including Telecom Italia, among others. In 2003, Nortel's common stock was transferred to an Argentine company named Sofora. As of the date of this Annual Report, Sofora is held 68% by the Telecom Italia Group and 32% by W de Argentina Inversiones, a holding company incorporated in the Kingdom of Spain, and a company of the Wertheim Group. See Item 7 Major Shareholders and Related Party Transactions Shareholders of Nortel.

On November 14, 2013 Telecom Italia S.p.A and Telecom Italia International N.V. (collectively, the Sellers) and Tierra Argentea S.A. (Tierra Argentea, a company controlled by the Sellers) announced their acceptance of the offer made by Fintech to acquire Telecom Italia's controlling stake in Telecom Argentina owned by the Sellers through their subsidiaries Sofora, Nortel, and Tierra Argentea.

On December 10, 2013 Tierra Argentea completed the transfer to Fintech of (i) Class B Shares of Telecom Argentina, representing 1.58% of the capital stock of such company, and (ii) Nortel's ADRs representing 8% of the aggregate Series B Preferred Shares of Nortel.

The transfer of the shares held by the Telecom Italia Group in Sofora is conditional upon prior approval by regulatory authorities. See Item 7 Major Shareholder and Related Party Transactions Shareholders of Nortel .

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Pursuant to the Privatization Regulations, 10% of Telecom Argentina's common stock was transferred as Class C Shares to a Share Ownership Plan for certain former employees of ENTel and CAT by the Argentine government, and the remaining 30% of Telecom Argentina's common stock was sold to investors, principally in Argentina, the United States and Europe, in an offering completed in March 1992. A portion of the shares in the Share Ownership Plan has been sold in the public market, and the remaining shares resulting from the Share Ownership Plan are being gradually converted into Class B Shares. See Item 6 Directors, Senior Management and Employees Share Ownership Share Ownership Plan.

Through September 30, 1999, Telecom Argentina provided domestic and international communication services in the Northern Region on an exclusive basis. Commencing in October 1999, the Argentine government implemented a deregulation plan introducing competition into the Basic telephone services market. See Regulatory Framework Liberalization of the Argentine Telecommunications Industry below. The Argentine telecommunications market was opened to full competition beginning in November 2000. As a result, Telecom Argentina now offers services throughout Argentina and competes with Telefónica and with a number of additional local operators.

PART I ITEM 4 INFORMATION ON THE COMPANY

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Table of Contents**THE BUSINESS****General**

As of the date of this Annual Report, we conduct our business through five legal entities, each representing a distinct operating segment. We aggregate these operating segments into three segments Fixed Telecommunications Services (Fixed Services), Personal Mobile Telecommunications Services (Personal Mobile Services) and Núcleo Mobile Telecommunications Services (Núcleo Mobile Services) according to the type of products and services provided and taking into account the regulatory and economic framework under which each entity operates.

The companies we aggregated to create the segments are as follows:

	Segment	Consolidated Company / Operating Segment
Fixed Services		Telecom Argentina Telecom Argentina USA Micro Sistemas(1)
Personal Mobile Services		Personal Springville(1)(2)
Núcleo Mobile Services		Núcleo

(1) Dormant entity as of December 31, 2013.

(2) On February 10, 2014 Personal's Board of Directors approved the sale of its equity interest in Springville, which was completed on February 19, 2014.

Fixed Services. Telecom Argentina owns a local telephone line network, public long-distance telephone transmission facilities and a data transmission network in the Northern Region since the market was open to competition. Telecom Argentina expanded its network in the Southern Region of Argentina providing nationwide services. Fixed services are comprised of the following:

Basic telephone services. Telecom Argentina provides Basic telephone services, including local, domestic and international long-distance telephone services and public telephone services. As of December 31, 2013, Telecom Argentina had approximately 4.1 million lines in service;

Interconnection services. Telecom Argentina provides interconnection services, which primarily include access, termination and long-distance transport of calls;

Data transmission and Internet services. Telecom Argentina provides data transmission and Internet services, including traditional Broadband and mobile Internet, Internet dedicated lines, private networks, national and international video streaming, transportation of radio and TV signals and videoconferencing

services. As of December 31, 2013, Telecom Argentina had approximately 1.7 million Internet accesses;

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Information and Communication Technology Services. Telecom Argentina provides ICT services, datacenter services, telecommunications consulting and value-added solutions;

Other telephone services. Other services provided by Telecom Argentina include supplementary services such as call waiting, call forwarding, conference calls, caller ID, voice mail, itemized billing and maintenance services; and

Sale of equipment.

Personal Mobile Services and Núcleo Mobile Services. We provide mobile services through our subsidiaries in Argentina and Paraguay. Our subsidiary, Personal, provides mobile telephone service throughout Argentina via cellular and PCS networks. Personal's service offerings include:

Voice, data and Internet services. Voice communications, GSM and 3G mobile communications over UMTS / HSPA / HSPA+ networks (including high-speed mobile Internet, content and applications download, multimedia messaging, online streaming, corporate e-mail, social network access and cloud backup services); and

Sale of mobile communication devices (handsets, 3G modems, and tablets).

We also provide mobile services in Paraguay through Núcleo, a subsidiary of Personal.

As of December 31, 2013, Personal had approximately 20.1 million mobile subscribers in Argentina and Núcleo had approximately 2.4 million in Paraguay.

See Note 28 to our Consolidated Financial Statements and Item 5 Operating and Financial Review and Prospects Years ended December 31, 2013, 2012 and 2011 Results of Operations by Segment for additional information as to our results of operations by segment.

Fixed Services

Telecom Argentina is the principal provider of Basic telephone services in the Northern Region, and since late 1999 has also provided Basic telephone services in the Southern Region.

Since November 2000, the telecommunications sector in Argentina is completely open to competition. Our operations are subject to a complex series of laws and regulations of the Argentine government. In addition, we are subject to the supervision of the Regulatory Bodies. See Regulatory Framework below.

The Argentine government has taken certain measures that have affected revenues from the services we provide. Since the enactment of the Public Emergency Law in January 6, 2002, the rates charged by Telecom Argentina for fixed line services such as measured service, monthly basic charges, public telephone service, domestic, national and international long-distance, installation charges and most of supplementary services (except for lines and equipment maintenance) have been pesified (Regulated Services since the Transfer Date). We cannot predict when the Public Emergency Law will cease to be effective or how these or other government regulations may affect our future revenues. See Regulatory Framework Rates Rate Regulations below and Item 5 Operating and Financial Review and

Prospects Economic and Political Developments in Argentina.

On the other hand, interconnection services, data transmission, Internet services, ICT services and sale of equipment are not regulated services subject to a price cap regulation.

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Telecom Argentina's fixed-line telephone network includes installed telephones and switchboards, a network of access lines connecting customers to exchanges and trunk lines connecting exchanges and long-distance transmission equipment. The following table illustrates the deployment of Telecom Argentina's telephone network:

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Number of installed lines(1)	4,699,254	4,850,554	4,792,530	4,688,977	4,595,043
Net lines installed (during each year)	(151,300)	58,024	103,553	93,934	152,414
Net lines installed cumulative(2)	3,128,290	3,279,590	3,221,566	3,118,013	3,024,079
Number of lines in service(3)	4,123,795	4,127,858	4,141,135	4,107,082	4,060,260
Net lines in service added for the year	(4,063)	(13,277)	34,053	46,822	50,204
Net lines in service added cumulative	2,721,826	2,725,889	2,739,166	2,705,113	2,658,291
Lines in service per 100 inhabitants(4)	20	21	21	21	21
Pending applications(5)	91,950	152,210	133,977	83,984	77,172
Public phones installed	33,650	36,813	40,079	44,846	50,275

- (1) Reflects total number of lines available in Switches.
- (2) Cumulative net lines installed since the Transfer Date.
- (3) Includes lines customers, own usage, public telephony and ISDN channels.
- (4) Corresponds to the Northern Region of Argentina.
- (5) Corresponds to lines requested by clients, but not yet installed.

Revenues

Fixed services include, among other charges, monthly basic charges, measured service charges, installation charges, public telephone services and interconnection services related to essential facilities. The rates for these charges are regulated by rules governing our license, which establish maximum prices that can be charged to clients. Telecom Argentina is able to charge prices below the maximum regulated prices as long as the discount is applied equally to clients who share the same characteristics (under the so-called principle of non-discrimination). In accordance with this ability, Telecom Argentina charges lower prices than the maximum regulated prices for certain of the services offered.

The remaining services included in the Fixed Services segment are not subject to regulation and, as a result, Telecom Argentina is able to set the corresponding rates. Market conditions limit rate increases.

a) Retail Residential and Business Customers

Monthly Basic Charges. Telecom Argentina bills a monthly basic charge to its customers. The charge is based on pulses, valued at the price per pulse prevailing during the periods included in the invoice. The number of pulses varies depending on the type of customer. As of December 31, 2013 and 2012 approximately 82% of lines in service were for residential customers and public telephony and approximately 18% were for professional, commercial and government customers. Additionally, due to the regulatory regime, Telecom Argentina is obliged to offer discounts to certain retired individuals and low-consumption residential customers.

Measured Service Charges. In addition to a monthly basic charge, Telecom Argentina bills a monthly measured service charge from almost all of its customers, which is based on telephone usage. Measured service is billed at the price per unit of time. Charges for local and domestic long-distance measured service vary with the price per unit of usage. The number of units of usage depends on the time of day, the day of the week, the distance traveled and the duration of calls. During the summer months (December through March), there is decreased consumption due to the fact that many customers are on vacation. Additionally, due to competition, Telecom Argentina offers discounts to customers mainly for domestic long-distance service as semi-flat rate plans that include a set quantity of minutes for a fixed charge.

Local minutes were approximately 9.7 billion in 2013, 10.6 billion in 2012 and 11.5 billion in 2011. During the past three years, despite increased economic activity in Argentina the volume of local minutes has decreased due to the strong growth in mobile telephony and the resulting migration of traffic to mobile service. During 2013, revenues from local traffic continued to increase leveraged by the growth of lines with minutes included in the plan and subscription plans, despite the drop in traffic volume. Also, and to adjust the portfolio to customers' needs, new local calling plans were launched to lower-consumption customers.

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Domestic long-distance minutes were approximately 2.5 billion in 2013, 2.6 billion in 2012 and 2.8 billion in 2011. Ever since the Northern Region was opened to competition in 1999, Telecom Argentina has maintained its position as the regional market leader for domestic long-distance traffic. During 2013, deploying a similar strategy to that which was adopted for local traffic, we maintained sales of targeted and selective flat-rate plans positioned to maintain average revenues generated by customers.

In the year ended December 31, 2013 approximately 79% of measured service revenue was generated by residential customers, and approximately 21% was generated by business, professional and government customers and, in 2012, approximately 79% of measured service revenue was generated by residential and professional customers, and approximately 21% was generated by business and government customers.

International Long-Distance Service. International long-distance traffic minutes increased to 241 million in 2013 from 237 million in 2012 and from 226 million in 2011, mainly due to an increase in the MOU (Minutes of Use) of residential customers.

Since 1992, international rates have been reduced annually as a consequence of the application of the Price Cap described in Regulatory Framework Regulatory Environment Rate Regulations Price Cap. Telecom Argentina also has reduced international long-distance rates in order to compete with the new providers of long-distance calling services.

Installation Charges. Revenues from installation charges consist primarily of fees levied for installation of new fixed lines. Telecom Argentina offers discounts in multiple localities to reduce the rate authorized by the government, with the aim of stimulating demand in those areas. The penetration of fixed-line telephony has been affected by the maturity of the Argentine market.

Public Telephone Services. As of December 31, 2013, there were 33,650 public lines installed of which 2,514 are in the Southern Region. Local and domestic long-distance traffic experienced a systematic reduction as a result of a strong development in the mobile industry in Argentina. As a result, public telephony traffic for 2013 fell to 112 million minutes, from 166 million minutes in 2012 and 202 million minutes in 2011. The traffic in domestic long-distance public telephony was 79 million minutes in 2013, 97 million minutes for 2012 and 120 million minutes for 2011. The traffic in international long-distance public telephony has experienced a reduction to 45 million minutes in 2013 from 60 million minutes in 2012 and 70 million minutes in 2011.

Other Domestic Telephone Services. Telecom Argentina provides dedicated lines to businesses. Dedicated lines are dedicated point-to-point leased lines. In addition to installation fees, Telecom Argentina receives revenues from dedicated analog urban/inter-urban lines. These revenues are calculated according to the price for long-distance codes of urban/interurban calls. Additionally, other domestic telephone services include charges for supplementary services (such as call waiting, call forwarding, conference calls, caller ID, voicemail and itemized billing).

Data Transmission Services. The data services business includes nationwide data transmission services, virtual private networks, symmetric Internet access, national and international signal transport and videoconferencing services. These services are provided mainly to corporations and governmental agencies. Telecom Argentina also provides certain Value Added Services, including electronic standard documents telecommunication software exchange and fax storage and delivery service. The data services business also includes the lease of networks to other providers, telecommunications consulting services, operation and maintenance of telecommunications systems, supply of telecommunications equipment and provision of related services. Corporate data transmission services are mainly Ethernet and IP services.

During 2013, we maintained our focus on ICT solutions and the sale of data services and dedicated Internet accesses. This strategy is supported by the World Class multi-site network of Datacenters focused on communications, with over 7,000 square meters used to keep computer technology services throughout Argentina. Through this infrastructure, we offer a broad services portfolio including dedicated hosting and housing, connectivity, cloud services which enable our customers to optimize their costs by increasing the security of their information and avoiding hardware and software obsolescence issues. All the services are provided with support, security, connectivity and the ability to engage further management, professional, monitoring, storage and backup services.

In addition, we continued making additional investments at the major data center in Pacheco, consolidating its position as leader in the market and enhancing the level of services supplied. Such investments will enable Telecom Argentina to support business growth in the next few years with the highest market standards.

Internet. Telecom Argentina has been providing residential Internet services under the brand name Arnet since 1998. Telecom Argentina mainly offers this service in the major cities of Argentina. In recent years, Telecom Argentina's Internet service has experienced higher demand and usage in less populated areas of the country. The Internet services include access, Arnet service and Dial-Up. However, during the past several years we have seen a constant decrease in Dial-Up access that has been more than offset by increased Broadband accesses. As a result, Dial-up access represents a marginal percentage of Telecom Argentina's revenues.

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The following table illustrates the evolution of Internet services:

	December 31,		
	2013	2012	2011
Fixed access lines(1)	1,706,787	1,629,294	1,550,098
Arnet subscribers	1,686,982	1,621,643	1,539,719

(1) Includes accesses in the Northern Region and the Southern Region. Accesses refer to connections to Internet services offered by Telecom Argentina.

The market for Broadband has experienced growth in 2011, 2012 and 2013 throughout the country, increasing 15%, 9% and 7%, respectively. Broadband can be delivered through three technologies: cable modem, ADSL and mobile; cable modem and ADSL being the most widely used. In the local market, ADSL connections exceeded the number of cable modem and mobile connections. Telecom Argentina markets its ADSL service through its Arnet brand and in partnership with other ISPs.

During the last five years, Telecom Argentina continued to increase its customer base. As of December 31, 2013, we reached approximately 1.7 million accesses. During 2013, our efforts to communicate effectively with our customers and special offers with competitive prices according to segment helped us to maintain the leadership of our products under the brand Arnet.

Continuing the evolution of Internet access services, during the year 2013 services focused on offering higher speed access to customers.

In 2013 Telecom Argentina expanded the bundling of Broadband and voice services, by launching a fixed monthly payment plan for residential customers which includes packs of calls from a fixed-line to a mobile phone.

Also, in 2013, Arnet Play (the video streaming service for Telecom Argentina's residential customers) was significantly improved, increasing the video offers.

Internet revenues include both Internet access services and the provision of Internet service.

A small portion of Internet access services is provided by Telecom Argentina's 0610, 0611 and 0612 services. The 0610 service is provided at rates reflecting up to a 30% discount compared to regular urban rates for connections lasting 30 minutes, depending on the time and day of the connection. After the implementation of an agreement reached with the Argentine government, by the end of fiscal year 2009, Telecom Argentina offered Internet dial-up access to 100% of the users of fixed lines located in its coverage region. Although Internet dial-up service represents a marginal percentage of Telecom Argentina's revenues, we continue to provide this service to a small market where Broadband service is not available.

b) Corporate Customers

The large customer segment includes leading companies in the Argentine market as well as the National government, Provincial governments and Municipalities. These customers demand cutting-edge technology and solutions tailored to their needs, including voice, data, Internet and Value-Added services.

In response to the constant changes demanded by the market, Telecom Argentina maintained its strategy to position itself as the integrated provider for large customers through the offer of convergence ICT solutions, including fixed and mobile voice, data, Internet, multimedia, ICT, datacenter and application services through sales, consulting, management and specialized and targeted post-sale customer services.

The main solutions and businesses developed during 2013 included:

Renewal of a contract for the management of 911 emergency calls in a northern province of Argentina.

Telecom Argentina was chosen to provide data center services of the major national sugar cane refinery for the production of food and paper.

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Telecom Argentina was chosen to provide data center services of a major multinational fast food company.

Additionally, the following projects are underway and are expected to be completed in 2014:

implementation of a software to manage and control services allowed in corporate mobile lines of an important national bank

installation of a trunked communication network for security service calls for a subway network in the metropolitan area of Buenos Aires City.

c) Wholesale

Interconnection Revenues. Telecom Argentina collects fees from other operators for interconnection services. These fees primarily include local access, termination and long-distance transport of calls, rentals of network capacity and commissions on calling party pays fees. These fees are payable by mobile operators as well as fixed-line operators.

Additionally, Telecom Argentina remained one of the leading providers of wholesale telecommunications solutions for various fixed and mobile operators, independent operators, local operators, public telephony licensees, cable operators, ISP, TV and radio channels, production companies and other service providers. The services marketed by Telecom Argentina include, among others, traffic and interconnection resources, third-party billing, dedicated Internet access services, transport of video signals in standard definition and high definition, streaming audio and video, dedicated links, backhaul links for mobile operators, Internet Protocol Virtual Private Network and data center hosting services.

Telecom Argentina continued to strengthen its position as a provider of solutions for the broadcasting segment by offering transportation solutions for audio and video signals both as dedicated private links and on the Internet. We provided solutions to cable operators and TV channels for the distribution of video signals. In 2013, we continued to increase the number of clients connected to Telecom Argentina's video matrix located in the city of Buenos Aires.

In 2013 Telecom Argentina continued executing a contract to transport and distribute signals in Open Digital TV (Television Digital Abierta) for ARSAT. Also Telecom Argentina has transmitted, among others, the video signal of The Four Nations Rugby Championship from the places where the events took place to central distribution in the British Telecom Tower in London.

International Long-Distance Service. Telecom Argentina holds a non-expiring license to provide international telecommunications services in Argentina, including voice and data services and international point-to-point leased circuits.

Revenues from wholesale international long-distance service reflect payments under bilateral agreements between Telecom Argentina and foreign telecommunications carriers, covering virtually all international long-distance calls into or out of Argentina using our network. Revenues from international long-distance service therefore consist mainly of:

amounts earned from foreign telecommunications carriers for connection to the Argentine telephone network;

bandwidth capacity under an Indefeasible Right of Use (IRU) basis;

international point-to-point leased circuits; and

international data services.

Operating revenues from international long-distance service depend on the volume of traffic, the rates charged to local customers and the rates charged by each party under agreements between the Argentine provider and foreign telecommunications carriers. Settlements among carriers are usually made on a net basis. Incoming traffic with carriers measured in minutes accounted for 632 million minutes in 2013, 676 million minutes in 2012 and 727 million minutes in 2011.

Telecom Argentina is connected to international telecommunications networks mainly through the following submarine Fiber Optic cables: Americas 2 (USA), Columbus 3 (Europe), Atlantis 2 (Brazil Europe), Sea-Me-We (Europe Asia), Bicentenario (Uruguay), Latin American Nautilus (LAN), a company in the Telecom Italia Group, and other minor cables.

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In order to meet the growth in our Internet access base, Telecom Argentina has acquired several IRUs on a submarine facility of Latin America Nautilus (LAN) (a subsidiary of Telecom Italia), which connects Argentina with the U.S. (Miami) in a submarine fiber optic ring. These rights, which last for 15 years, allow the interconnection of the IP backbone of Telecom Argentina with IP Transit providers in Miami. Telecom Argentina has also contracted Transit IP in Buenos Aires to ensure better performance regarding regional traffic.

Through our wholly owned subsidiary in the United States, Telecom Argentina USA, Inc., a corporation organized under the laws of the State of Delaware, we were granted a Section 214 authorization by the Federal Communications Commission, or the FCC, to provide global international facilities-based and resale services. Telecom Argentina USA's business, at the moment, is focused mainly on wholesale long-distance international traffic consequently on February 3, 2014 its Board of Directors decided to discontinue the retail services it had been providing (pre-paid calling cards and call forwarding service) and to surrender the authorization under Section 214 needed therefore, which was accomplished, after FCC approval, on April 1, 2014.

Telecom Argentina USA, routes the majority of its wholesale traffic through its own switching capabilities. In 2013, Telecom Argentina USA, Inc., continued operating a node of high-definition video in Miami, thus extending the Telecom video matrix to the international market.

Network and Equipment

In line with previous years, coverage, capacity, quality and availability have been the focus of the development of Telecom Argentina network strategy in 2013.

Telecom Argentina continued the deployment of fiber optic connections to ensure that Broadband availability in each city satisfies the customers' increasing demands.

In order to improve the availability of the Internet and data access services, Telecom Argentina has started to deploy the new Multiservice Broadband Network Gateway (MSBNG) architecture with the Aggregation Node (AGN) equipment in the AMBA area.

We also improved the availability of the IP Backbone core (BBIP) by introducing three disjointed paths of fiber optic networks / DWDM.

Moreover, in 2013, Telecom Argentina launched a three-year plan aiming to change the transport network from a multiprotocol network to a higher homogeneous network in a unique protocol with high availability (Multiprotocol Label Switching - MPLS).

Broadband services are the most demanded services, requiring the creation of concentration points in the north area of the country in order to distribute the traffic and to significantly improve the user experience. To this end, the BBIP has to be extended to each provincial capital. In 2013 the BBPI was extended to Chaco, Corrientes, Misiones and Formosa, which involved the creation of new Point of Presence (POP - connecting nodes) and increased bandwidth transport.

Moreover, the deployment of a MPLS network for packet transport (PTN or Packet Transport Network) at 10 Gbps was initiated, which will cover all regional nodes throughout all the interurban fiber optic. This deployment will improve bandwidth availability in additional cities and will allow a more efficient use of the bandwidth. In 2013, approximately 80% of the planned nodes were in the process of implementation.

The deployment of NGN continued in order to satisfy the demand for new lines and reach the customers' homes with an increasingly higher capacity. Also, in order to ensure proper TDM equipment operation, Telecom Argentina continued with a Service Level Agreement (SLA) with the TDM technology providers, which expire in 2015.

In response to Telecom Argentina customers' need for more bandwidth, the plan to shorten the loop continued which enhances current Broadband capacity and also allows Telecom Argentina to provide customers with fiber optic technology at even greater speeds. Additionally, it allows us to offer value-added services that require greater bandwidth.

Also, the FTTC strategy has continued in areas with saturated copper cabinets and the FTTB strategy has been expanded into new buildings.

At the end of 2013, the implementation of the multiservice network was almost finalized in AMBA and other cities of Buenos Aires province, which uses MPLS- TP technology and enables the same connection site to provide various services with high-capacity levels.

Regarding operations, MPM continued to be implemented on the fixed access network. When a cabinet area needs to be restored, MPM helps maintain the improvements achieved over time. In 2013, about 270 areas of cabinets were restored reaching more than 2,400 restored areas using the MPM restoration methodology and more than 6,500 restored areas using all restoration methodologies.

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Work also continued to replace telephone poles. In 2013 Telecom Argentina has replaced more than 53,000 poles (including replacement of wooden poles by others of wood or cement).

Personal Mobile Services and Núcleo Mobile Services

We provide mobile services via cellular and PCS networks through our subsidiaries in Argentina and Paraguay.

Mobile Telecommunication Services in Argentina Personal

The market for mobile telecommunications services in Argentina is characterized by constant growth and intense competition. Operators are generally free from regulation to determine the pricing of services, with the limited exception of CPP charges for termination of calls originating on a fixed line network. See Regulatory Framework Regulatory environment Other Regulations Calling Party Pays CPP. There are currently three mobile operators offering nationwide service. The penetration of mobile service in Argentina has increased from approximately 134.2% of the population as of December 31, 2011, to approximately 139.4% in 2012 and to approximately 148.5% in 2013. This information regarding penetration of mobile service is an estimate, as there are no official statistics published in Argentina, and only considers lines serviced by the three operators providing nationwide mobile telecommunications services (i.e., it does not include Nextel).

Service providers in Argentina are making significant capital expenditures in new network infrastructure for the deployment of 3G (and HSPA+) technology, which allows for the higher transmission speeds required for Value Added Services such as data transfer, video calling and Internet browsing.

Our mobile telecommunications services in Argentina are provided through our subsidiary, Personal. We provide mobile services throughout Argentina via STM, SRMC and PCS networks. Personal utilizes GSM and 3G technologies in its networks and primarily offers its services of STM and SRMC services on the 850 MHz frequency band and PCS service on the 1,900 MHz frequency band.

Personal's business continues growing. From December 31, 2012, to December 31, 2013, its subscriber base in Argentina grew approximately 6%. As of December 31, 2013, Personal had approximately 20.1 million subscribers compared with approximately 19.0 million subscribers as of December 31, 2012, and approximately 18.2 million subscribers as of December 31, 2011.

a) Residential and Business Customers

Personal subscribers are offered a variety of flexible pricing options for mobile services. These options include prepaid, post-paid and mixed plans.

On December 17, 2013, the SC issued Resolution 26/13, which changed the billing unit of measurement for calls originating on mobile communications. Such resolution established that calls will be charged per second and the pricing of each call will consist of a fixed value corresponding to the initial communication block (including up to 30 seconds), plus additional charges per second, after the 30th second of communication has elapsed (See Regulatory framework Regulatory environment Change in the valuation method of mobile services and information on the conditions of commercial mobile plans).

Prepaid Plans. Under prepaid plans, the subscriber pays in advance for telephone calls and Value Added Services using prepaid credit. When the subscriber runs out of credit, he or she can purchase prepaid cards using a prepaid system or can purchase virtual credit on Personal's website, by phone, at ATMs and drugstores, or through authorized

agents. Since there are no monthly bills, prepaid plans allow subscribers to communicate with maximum flexibility while maintaining control over their consumption. A subscriber can add credit to the card and make and receive local, national and international calls.

Post-Paid Plans. Personal offers a National Flat Rate post-paid plan and a Local Flat Rate post-paid plan. Post-paid plans include caller ID, voicemail and a personalized greeting, call forwarding, data services, a multimedia personalized greeting, telephone technical support and call waiting. The plans deploy Personal Digital Invoicing, enabling subscribers to view, download and print their invoices from the web. Depending on the plan, and the monthly fee, they might include Value Added Services such as social network access, e-mail or data allowance for browsing the Internet, as well as specific contacts (on-net numbers) that can be contacted by voice or SMS for free.

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Under both plans, a subscriber pays a monthly bill consisting of a monthly user fee plus Value Added Services and a charge for airtime used in excess of the amount included in the plan. These plans generally offer a specified number of free seconds per month. Once the free seconds have been used, the subscriber can continue using the mobile service at a set price per second. The charges for additional airtime will be added to the next month's bill. Under the National Flat Rate Plan, a subscriber can make calls to and from any location within Argentina at a constant rate because the airtime rate includes the local public network, national long-distance and national roaming. Under the Local Flat Rate Plan, where the airtime rate includes the Local Public Network and Roaming, a subscriber can make local calls within any locality in the country but calls from one locality to another are charged at an extra rate.

Cuentas Claras. Under the *Cuentas Claras* plans, a subscriber pays a set monthly bill and, once the contract credit per month have been used, the subscriber can obtain additional credit by recharging the phone card through the prepaid system. Under this plan, a subscriber can use its monthly credit or its pre-paid credits for calls, such as social network access, e-mail or data allowance for browsing the Internet, as well as specific contacts (on-net numbers) that can be contacted by voice or SMS on a free basis.

The following table presents information regarding Personal's post-paid, prepaid, *Cuentas Claras* and total mobile subscriber bases for the periods indicated:

	As of December 31,					
	2013	% of Total	2012	% of Total	2011	% of Total
<i>Mobile subscribers:(1)</i>						
Prepaid	13,539,423	67.4	12,720,001	67.0	12,414,127	68.2
Post-paid	2,417,344	12.0	2,386,656	12.6	2,178,645	12.0
<i>Cuentas Claras</i>	3,878,962	19.3	3,476,512	18.3	3,138,755	17.3
Mobile Internet	252,188	1.3	392,081	2.1	461,950	2.5
Total	20,087,917	100.0	18,975,250	100.0	18,193,477	100.0

(1) Mobile subscribers mean total registered and active mobile subscribers at the end of the relevant period. An active mobile subscriber is a mobile subscriber who made or received three phone calls within the last 90 days of such relevant period.

New products and services. Personal continued to deepen its strategy based in the concept *Cada Persona es un Mundo* Each Person is a World with the launch of various products, promotions and benefits to meet the diverse communication needs of different types of customers. The quality in customer experience continued as the strategic axis that crossed all the initiatives developed by Personal during 2013.

Personal also increased the granting of benefits in recharges and service packages for its customers, optimizing their plans' convenience. It also introduced a new benefit for customers with monthly bills, allowing unused airtime in a month to be used in the next month.

The unlimited Internet service per day, an innovative offer launched by Personal in early 2011, increased by approximately 42% penetration on active *Cuentas Claras* and Prepaid customer base during 2013.

Furthermore, *Club Personal*, the loyalty program with more than 5.6 million members and over 500 participating businesses, continued to evolve from its base resegmenting, expanding the differential benefits for its members.

In relation to the strategy of contacts with customers, Personal presented a new model of personal assistance in commercial offices around the country, which is based on the experience and education of each customer, to respond to their needs and increase its satisfaction. During 2013, three sales offices were opened with the new model across the country. Thus, the sales network of Personal reached 69 offices with a presence in several major cities.

Finally, Personal continued its strategy of repositioning its brand, with the realization of the 9th edition of *Personal Fest*, the most important international music festival in Argentina, which attracted more than 50,000 people over two days. This event was broadcast online, reaching more than 500,000 people who enjoyed the festival virtually.

Personal's ARPU was approximately P\$66.8 per month for 2013 and P\$57.7 per month for 2012.

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b) Wholesale

International Business. During 2013, Personal continued to position itself as a benchmark in international roaming services, expanding 3G data coverage in order to provide a better user experience to its subscribers.

Personal entered into over 280 data agreements (GPRS/EDGE) reaching over 135 3G launchings of a total of 325 international roaming agreements, which provide service in 165 countries.

In order to increase the number of roaming destinations Personal implemented a second Roaming Hub which expanded international coverage.

Also, Personal enhanced the coverage of destinations reached by the International SMS service through two contracted SMS Hubs, which enable greater flexibility and reliability of the service.

We implemented the IPX technology with the aim to improve customers' experience regarding data roaming services. Through this technology, the interconnection is made by signaling and GRX solution which allows Personal to faster and efficiently satisfy the increased bandwidth customers' demands.

In order to reveal data consumption by customers abroad, and to be in line with the global policies of the GSM Association, during 2013 Personal added the following features to its international services:

Warning notifications via SMS to customers regarding their consumption.

Implementation of daily data consumption cap which is automatically reset.

Communication updates via text messages received abroad by our customers (SMS Welcome).

Also, Personal implemented and widely communicated daily offer packages of voice, SMS and data services for the most popular destinations visited by customers during vacation and based on their historical consumption.

Personal continues increasing its penetration of international services. Currently over 415,000 monthly packs (+50% compared to the previous year) are sold.

Personal participated in events organized by foreign groups in Argentina, increasing its position in international services with tailored offerings for different demographic segments.

Domestic Business. During 2013, Personal continued to strengthen its relationship with operators and suppliers of telecommunication services, Cooperatives Federations and clearing house services suppliers. Personal renewed contracts with existing operators of such services or entered into new ones. Also, Personal signed new agreements with cooperatives to install new sites in their towns in order to achieve or improve mobile coverage in those areas. On the other hand, Personal continues contracting non-conventional sites for the same purpose. In addition, Personal expanded agreements with other operators of resources and facilities (data links and transmission, interconnection resources, origination, termination, minutes transport, conventional and non-conventional site leases and domestic roaming) that contributed to the development of Personal mobile network, improving the quality of the services offered to its customers.

Personal s Network and Equipment

Personal is the operator of mobile networks at a national level, and uses world-class technology providing GSM and third-generation services.

The mobile network infrastructure and the fixed network infrastructure are complementary. Therefore, the development strategy for Personal s network aims to maximize the synergies of investments of the Telecom Group as an integrated operator group.

To this end, Personal s radio access network is supported by a regional transport network that is shared with the fixed telephony business. To the extent possible, the switching core shares the facilities with other switches in the Telecom Group, and all data services are supported by the public backbone of the Group.

In order to improve coverage and capacity of the mobile access network, Personal performs continuous measurements of relevant parameters and benchmarks with the network s competitors.

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In 2013, the 2G network continued growing primarily in terms of capacity to accompany the increase in data traffic and to compensate the reduction of spectrum reassigned to 3G. By the end of 2013, Personal had over 3,500 2G sites distributed throughout the country.

Personal continued to deploy a 3G access network with over 3,150 sites as of December 31, 2013. Consequently, 3G access network increased its capacity in existing sites after the activation of the spectrum assigned from the 2G network and the construction of six-sectors technology (which allows a more effective use of the spectrum), allowing to satisfy the increasing demand for mobile Internet services.

Also, Personal continued the strategy of maximizing the deployment of radio bases linked by fiber optic in order to ensure bandwidth availability to address current and future needs. Also, a 3G second carrier was launched.

Moreover, Personal worked on the MPM methodology expansion, reaching more than 75 sites with restored radio base, which allows Personal to reduce radio bases unavailability and to maintain the improvements achieved over time.

Mobile Telecommunications Services in Paraguay Núcleo

We provide nationwide mobile telecommunications services in Paraguay through our subsidiary, Núcleo, under the commercial name of Personal. Núcleo is 67.5% owned by Personal and 32.5% owned by ABC Telecomunicaciones S.A., a Paraguayan corporation. Núcleo has been granted licenses to provide commercial mobile services, Internet access and videoconference and data transmission services in Paraguay.

During 2013, the telecommunications sector in Paraguay showed good performance, with growth levels above 9% compared to 2012. As of December 31, 2013, Núcleo had approximately a 33% share of the market for mobile telecommunications services in Paraguay. The subscriber base increased 5% as compared to the previous year. As of December 31, 2013, Núcleo had 1,935,558 pre-paid subscribers, 297,474 subscribers with the service plan Plan Control, 29,035 post-paid subscribers and 152,684 mobile Internet subscribers.

Núcleo communicative actions in early 2013 were focused on Number Portability, working on transparency and awareness about the impact of the customers' ability to choose the operator maintaining the same number.

Since midyear 2013, Núcleo has focused on a new concept titled "Recharge your Personal and get direct benefits in calls, messages and Internet". The objective aims to highlight the convenience of recharging credit, offering a variety of benefits associated with recharging as well as emphasizing the synergy between offers, communication and point of sales, giving a customer experience focused in recharging of credit.

Also, consumption of value-added services, mobile financial services and the Internet, were encouraged in order to increase the customer's demand. This effort is focused on the younger segment which primarily consumes such products (i.e. music, games, and sports). With respect to Internet, Núcleo was the first company in the market that launched LTE, and focused its communication campaign in its speed and its "Mega Experience".

Núcleo's Network and Equipment

Núcleo deployed the first LTE network in Paraguay and was then followed by other operators. For the deployment of the network, 80 sites were installed in 1,900 MHz covering all of the city of Asuncion.

Other major developments in 2013 include the following:

Paraguay Dream Project: In order to update the access network, Núcleo completed Phases 1 and 2 of the project, making the swap of 186 mobile sites in Asunción and the entire Central Department.

Coverage expansion: 190 new cell sites were installed in Paraguay, representing an increase of 32% of the total network.

Quality and Capacity Improvement: Núcleo has expanded its mobile network to satisfy the increasing voice and data traffic. For this purpose, 1,138 new cells have been installed, representing a 69% increase in network capacity. In addition, 2 new controller nodes (RNC) have been installed and the existing RNCs have been expanded.

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Core: Núcleo continued to expand its circuit core and package core by upgrading the hardware and software at all network nodes. In addition, Núcleo completed the replacement of the MSC (Mobile Switching Center) in Asunción and Ciudad del Este through the installation of two new nodes with Blade Cluster architecture, which is the latest version of hardware and software available in the mobile telecommunication market.

Transmission: While expanding the transmission network, Núcleo expanded coverage of the network by providing Internet access services to the Corporate sector. Additionally, Núcleo is completing the extension of the DWDM Network in the north of Paraguay adding 513 Km of fiber optic, which will result in a security ring of this area.

Finally, in Ciudad del Este, the installation of a new transport network called IPRAN was completed by Núcleo. This new transport network will meet new capacity requirements and provide the scalability, and flexibility that the evolution of the traffic of mobile network requires.

Competition

Fixed Services

Basic Telephony and International Long-Distance Services. Before November 1999, Telecom Argentina held an exclusive license to provide Basic telephone services to the Northern Region. The Argentine telecommunications market has been open to full competition since November 2000. As of the date of this Annual Report, the main licensees providing local and/or fixed long-distance telephone service are Tectel (commercially known as Telmex), Impsat (commercially known as Level 3 Communication formerly Global Crossing), IPlan, Comsat, Telecentro, Telefónica (principally in the Southern Region) and Telecom Argentina (principally in the Northern Region). Telefónica has the dominant market share for provision of telecommunications service in the Southern Region. Some of these competitors may be better capitalized than us and have substantial telecommunications experience. Accordingly, if economic conditions in Argentina improve and competitors increase their presence in the Northern Region, Telecom Argentina expects that it will face additional pressure on the rates it charges for its services and experience limited loss in market share in the Northern Region.

Internet and Data Services. We face nationwide competition in the Internet service market in Argentina from Telefónica, Gigared, Cablevisión (Fibertel) and Telecentro (providing a triple-play offer), among others. Our data services business faces competition from Telefónica, Comsat, Grupo Telmex Argentina and from several providers of niche data services such as Impsat, IPlan and others.

Mobile Telecommunications Services

Mobile Telecommunications Services in Argentina. The mobile telecommunications market in Argentina has been open to competition since 1993 and was expanded to include PCS services in 1999. During recent years, GSM technology has created intense competition for subscribers among the various service providers, including giving rise to severe pricing pressure, significant handset subsidies and increased sales incentives provided to dealers. The introduction of 3G technology since May 2008 has allowed operators to focus competition on Value Added Services.

Currently, there are three operators providing nationwide mobile telecommunications services. These three operators are Personal, Telefónica Móviles Argentina and América Móvil. Nextel competes on a limited level, offering trunking telephony services in Buenos Aires and selected cities in the interior, in addition to offering mobile telecommunication services in those cities.

América Móvil, operating in Argentina under the trade name Claro (formerly CTI), is one of the country's largest mobile operators in terms of number of subscribers and has provided STM cellular services in the Northern and Southern Regions outside of the AMBA since 1994 through the 850 MHz band (25 MHz in each region). Claro also holds a 40 MHz license for its PCS services in the AMBA and a 20 MHz license for PCS in each of the Northern and Southern Regions.

Telefónica Móviles, operating in Argentina under the trade name Movistar, is another of the largest mobile operators in Argentina in terms of number of subscribers. Movistar is the result of Telefónica's merger of Unifón and Movicom in 2005. Movistar operates in the AMBA through the 850 MHz band with a total of 37.5 MHz (25 MHz + 12.5 MHz), and a total of 50 MHz (20 MHz + 30 MHz) for PCS. It also holds a total of 80 MHz (40 MHz + 40 MHz) for its PCS licenses for the Northern

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Region, and a total of 60 MHz (20 MHz + 40 MHz) for its PCS license in the Southern Region. This Southern Region is Unifon's original service area, where it also holds a 25 MHz license for STM. The economic concentration that resulted from Unifon and Movicom's merger exceeded the maximum limit of the 50 MHz of spectrum assignment (for the services of STM-SRMC-PCS and SRCE) permitted by Article 4 of the Annex to Article 1 of Decree 266/1998. In Regulation No. 343/05, regulatory authorities approved the merger on the condition that the resulting entity decreases its spectrum holdings to the permitted levels in accordance with a schedule ending at year-end 2008. Movistar has completed the required decrease in its spectrum.

Nextel Argentina provides trunking telephony and other telecommunications services in Buenos Aires and cities in the interior. Nextel Argentina's service currently focuses on business subscribers in the main cities of Argentina.

The acquisition and retention of high-value customers continues to be a key factor to Personal's strategy, which is focused on maintaining customer's consumption through the launch of new products and services that enable retention of existing customers.

See Regulatory Framework Regulatory Environment Decree No. 764/00 for a description of Number Portability and also Regulatory Framework Other Regulations Regulations Applicable to PCS Services for additional details on Personal's license.

Mobile Telecommunications Services in Paraguay. Currently, there are four participants in the mobile telecommunications services market in Paraguay. As of December 31, 2013, Nucleo's major competitor was Tigo (a Millicom International Cellular subsidiary).

REGULATORY FRAMEWORK

Regulatory Bodies and General Legal Framework

Telecom Argentina and Personal operate in a regulated industry. Regulation not only covers rates and service terms, but also the terms on which various licensing and technical requirements are imposed.

The activities of Telecom Argentina and Personal are supervised and controlled by the CNC, a governmental agency under the supervision of the SC (which is presently supervised by the Ministry of Federal Planning, Public Investments and Services). The CNC is in charge of general oversight and supervision of telecommunications services. The SC has the power to develop, suggest and implement policies, which are applicable to telecommunications services, to ensure that these policies are applied, to review the applicable legal regulatory framework, to approve the frequency band scheme, to act as the enforcing authority with respect to the laws governing the relevant activities, to approve tariffs for basic fixed services and to resolve administrative appeals filed against CNC resolutions, among others.

The principal features of the regulatory framework in Argentina have been created by:

the Privatization Regulations, including the List of Conditions;

the Transfer Agreement;

the Licenses granted to Telecom Argentina and its subsidiaries;

the Rate Agreements; and

various governmental decrees, including Decree No. 764/00, establishing the regulatory framework for licenses, interconnection, universal service and radio spectrum management.

Núcleo, Personal s Paraguayan controlled company, is supervised by the Comisión Nacional de Telecomunicaciones de Paraguay, the National Communications Commission of Paraguay (CONATEL). Telecom Argentina USA, Telecom Argentina s subsidiary in the United States, is supervised by the Federal Communications Commission (FCC).

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Licenses granted as of December 31, 2013

To Telecom Argentina

As of December 31, 2013, Telecom Argentina has been granted the following non-expiring licenses to provide the following services in Argentina:

local fixed telephony;

public telephony;

domestic and international long-distance telephony;

domestic and international point-to-point link services;

domestic and international telex services;

Value Added Services, data transmission, videoconferencing and transportation of audio and video signals;
and

Internet access.

To the Company's subsidiaries

As of December 31, 2013, the Company's subsidiaries have been granted the following licenses:

Personal has been granted a non-exclusive, non-expiring license to provide mobile telecommunication services (STM) in the Northern Region of Argentina and data transmission and Value Added Services throughout the country. In addition, Personal owns licenses to provide mobile radio communication services (SRMC) in the Federal District and Greater Buenos Aires areas, as well as a non-expiring license to provide PCS services throughout the country, and it is registered to provide national and international long-distance telephone services; and

Núcleo has been granted a renewable five-year period license to provide mobile telecommunication services (STM) in Paraguay as well as PCS services in certain areas of that country. In addition, Núcleo has been granted a five-year renewable license to provide Internet services, data transmission and videoconferencing throughout the country.

Radio electric spectrum auction

In May 2011, the SC through Resolution No. 57/11 launched an auction to reassign the 850 MHz and 1,900 MHz frequency bands returned by Telefónica Móviles de Argentina S.A. because this company had exceeded its 50 MHz spectrum cap. This auction was canceled by SC Resolution No. 71/12 for reasons of opportunity, merit and convenience of the Argentine government.

On December 13, 2012, the PEN, through Decree No. 2,426/12, amended the Regulation on Management and Control Spectrum (See Decree No. 764/00 below), incorporating paragraph 8.5 to Article 8 of that Regulation, establishing: Notwithstanding the provisions of Article 8.1., the regulatory authority may assign frequencies directly to National Organizations, State Agencies and Entities majority-owned by the Argentine government.

Also, the mentioned Decree instructed the SC to confer to Argentine Satellite Solution Corporation S.A. (ARSAT a company wholly owned by the Argentine government) the authorization for the use of the frequencies involved in the auction approved by Resolution SC No. 57/11.

The mentioned decree also amended Article 8 of the Regulation for Telecommunications Services Licenses in force, incorporating the following provision: Article 8 bis Mobile Virtual Network Operator. Those interested in offering mobile services that do not have radio spectrum frequencies assigned for the provision of these services must have the license for telecommunications services and the registration as Mobile Virtual Network Operator. Mobile services operators will be responsible for the services rendered to its customers and are liable for the application of the respective sanction system. The regulatory authority may issue the application and interpretation acts that it deems appropriate.

The same decree instructs the SC to implement the appropriate measures in order to attribute the bands between 1,710-1,755 MHz; 2,110-2,155 MHz and 698-806 MHz exclusively for terrestrial mobile telecommunications services.

On December 13, 2012, the PEN, through Decree No. 2,427/12, declared of public interest the development, implementation and operation of the Federal Wireless Network, in charge of the Ministry of Federal Planning, Public Investment and Services, to be executed through ARSAT, under the National Telecommunications Plan Argentina Conectada, which provides the infrastructure necessary for this purpose, according to the general guidelines established in the Decree s Annex.

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In addition, by Article 2 of Decree 2,427/12, the PEN instructed the Ministry of Federal Planning, Public Investment and Services, as major shareholder of ARSAT, to take the necessary corporate actions and decisions, that allow the execution of works and services required as a result of the implementation of the Federal Wireless Network.

Also, on December 21, 2012, the SC Resolution No. 222/09 was published in the Official Bulletin, which assigned ARSAT the telecommunication services license that authorizes the state company to provide any kind of telecommunication services with or without owned infrastructure. It also provided the authorization for the provision of value-added services, data transmission and transportation of audio and video signals.

By Resolution No. 9/13, published on February 7, 2013, the SC granted ARSAT the registration of Mobile Services and National and International Long Distance Services and the Provision of Telecommunication Facilities.

Revocation of the License

Telecom Argentina's license is revocable in the case of non-compliance with certain obligations, including but not limited to:

an interruption of all or a substantial portion of service;

a modification of corporate purpose or change of domicile to a jurisdiction outside Argentina;

a sale or transfer of the license to third parties without prior approval of the Regulatory Bodies;

any sale, encumbrance or transfer of assets which has the effect of reducing services supplied without the prior approval of the Regulatory Bodies;

a reduction of ownership of Nortel in the capital stock of Telecom Argentina to less than 51%, or the reduction of ownership of Sofora in the capital stock with voting power of Nortel to less than 51%, in either case without prior approval of the Regulatory Bodies;

any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina without prior approval of the Regulatory Bodies; and

a bankruptcy of Telecom Argentina.

If Telecom Argentina's license is revoked, Nortel must transfer its interest in Telecom Argentina's capital stock to the Regulatory Bodies, in trust for subsequent sale through public auction. Once the sale of the shares to a new management group is performed, the Regulatory Bodies may renew the license of the Company under the terms to be determined.

Personal's licenses are revocable in case of non-compliance with certain obligations, including but not limited to:

repeated interruptions of Personal's services as set forth in the List of Conditions;

any transfer of the license and/or the related rights and obligations, without the prior approval of the regulatory authority;

any encumbrance of the license;

any voluntary insolvency proceedings or bankruptcy of Personal; and

a liquidation or dissolution of Personal, without the prior approval of the regulatory authority.

Núcleo's licenses are revocable mainly in the case of:

repeated interruptions of the services;

any voluntary insolvency proceedings or bankruptcy of Núcleo; and

non-compliance with certain obligations.

Liberalization of the Argentine Telecommunications Industry

In March 1998, the Argentine government issued Decree No. 264/98, introducing a plan for the liberalization of the Argentine telecommunications industry, or the Plan. Decree No. 264/98 provided for the extension of the period of exclusivity with respect to the provision of Basic telephone services until sometime between October 8, 1999, and November 8, 1999, depending on the particular region.

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The Plan also provided for: (i) the immediate liberalization of paid telephone services and (ii) during July 1998, the liberalization of telephone service in rural areas. In addition, the Plan contemplated that in January 1999, data transmission services within the countries included in Mercosur would be open to competition, subject to the following conditions: (i) each of the Mercosur countries enters into agreements providing for the liberalization of these services and establishing similar regulatory bodies and (ii) reciprocity exists between countries with respect to the granting of licenses. Beginning in late 1999, two new operators, formed by independent operators, mobile operators and cable television operators were permitted to offer services. These new operators, together with the existing licensees of Basic telephone services, allowed customers to choose from four operators until the full liberalization of services occurred. The Plan also granted data transmission operators existing before the privatization of ENTEL the right to operate domestic and international long-distance services by the end of 2000. Finally, the full liberalization of local, domestic and international long-distance services took place in November 2000. See Decree No. 764/00 below

During the Transition Period (1998-1999), new regulatory obligations were also introduced with respect to quality and service targets applicable to both Telecom Argentina and Telefónica.

As long-distance services were liberalized, competition was introduced by Pre-subscription of Long-Distance Service for locations with more than 5,000 clients. Following the introduction of Presubscription of Long-Distance Service, a call-by-call selection service will be installed. These requirements obligated the telephone companies to make significant investments and modifications to their networks.

During 1999, competition in local, national and international long-distance services was established among Telecom Argentina and Telefónica and Compañía Telefónica del Plata (CTP, Movicom Bell South) and Compañía de Telecomunicaciones Integrales S.A. (CTI, now Claro), the two new national operators permitted to offer services by Decree No. 264/98. Some provisions of Decree No. 264/98 and related resolutions were modified by Decree No. 764/00, mainly provisions related to licensing conditions, interconnection and Universal Service. Decree No. 764/00 established the general regulation of licenses and provided that each licensed company was allowed to launch its services in November 2000 when the full liberalization of the telecommunications market began. As of the date of this Annual Report, the main licensees providing local and/or fixed long-distance telephone service are Techtel (Telmex), Impsat (Level 3 Communication formerly Global Crossing), Comsat, IPlan, Telecentro, Telefónica and Telecom Argentina.

Pursuant to the Plan, the liberalization of public telephone services began. On December 9, 1998, Telecom Argentina was granted (upon the subsequent issuance of SC General Resolution No. 2,627/98) a license to provide public telephone services in the Southern Region.

Regulatory Environment

Decree No. 764/00

On September 5, 2000, the Argentine executive branch issued Decree No. 764/00 which enacted four new regulations:

the regulation of licenses for telecommunications services;

the interconnection regulation;

the regulation governing the administration, management and control of the radioelectric spectrum; and

the Universal Service regulation.

The basic guidelines for these regulations are as follows:

General Regulation of Licenses. This regulation establishes a single nationwide license for the provision of all telecommunication services to the public, including fixed-line, mobile, national and international, irrespective of whether these services are provided through telecommunications infrastructure owned by the service provider. Under the regulation, a licensee's corporate purpose does not need to be exclusively the provision of telecommunications services and there are no restrictions on participation by foreign companies. In addition, the regulation does not establish any minimum investment or coverage requirements. Broadcasting service companies may also apply for a license to provide telecommunications services. The regulation further authorizes the resale of telecommunications services subject to obtaining a license. This regulation governs the license through which Telecom Argentina offers services in the Southern Region and supplements Telecom Argentina's obligations pursuant to its preexisting licenses.

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Interconnection Regulation. Compared to the prior interconnection regulation (Decree 266/98), this regulation provides for a reduction in the reference interconnection prices in effect at the time. The regulation also increases the number of infrastructure elements and services that the dominant operator is required to provide, including interconnection at the local exchange level, billing services and unbundling of Local Loops. This regulation also introduces interconnection for number translation services (NTS) such as Internet, audiotext, collect calling and the implementation of number portability, all of which were subject to future regulations.

Related to the Regulation for the call by call selection of the providers of long-distance services, the former Ministry of Infrastructure and Housing issued General Resolution No. 613/01 which approved this Regulation, subsequently modified by Resolution No. 75/03 of the Ministry of Economy and Public Finance, which introduced several changes related to the obligation of service provision and habilitation and blockage modality and the availability of the service on December 6, 2003. The Company has fulfilled with all its obligations, nevertheless, as of the date of this Annual Report, this long-distance service modality is not implemented.

Regarding the number portability, on January 22, 2009, the SC issued Resolution No. 8/09 pursuant to which an ad hoc Working Commission was created with representatives of the SC and the CNC, for the purpose of preparing a draft of the Number Portability Regime.

On August 19, 2010, through SC Resolution No. 98/10, the SC approved the Number Portability Regime (NP), covering the STM, SRMC, PCS and SRCE (trunking) mobile services, defined in the resolution as portable services.

On June 14, 2011, the SC issued Resolution No. 67/11 replacing several sections of the NP regime. It also approved the Processes and Technical and Operational Specifications relating to the implementation and correct application of the NP, the Bidding Specifications for the selection of the Database Administrator and the model contract, and the Network Technical Specification for the implementation of the NP in the Networks Mobile Communications.

On October 12, 2011, and under the provisions of SC Resolution No. 98/10 and No. 67/11, the contract for the integration and management of the Database, between the four service providers and the Administrator of the Portability was formalized with the selection of the joint offer by Telcordia Technologies Inc. and its Argentine affiliate Telmark S.A.

Personal and the other mobile service providers finalized the adjustments of their respective networks as well as developments and testing of the necessary information technology applications, implementing the NP during March 2012.

On November 4, 2013, the SC, through its Resolution No. 21/13, modified the Number Portability Regime (NP) approved by SC Resolution No. 98/10, providing among other things, that the period for complying with a request cannot be more than five business days starting from the receipt of the application by the Database Administrator.

Regulation Governing the Administration, Management and Control of the Radioelectric Spectrum. This regulation establishes the principles and requirements governing the administration, management and control of the radioelectric spectrum. According to the regulation, authorizations or permissions will be granted subject to SC's right to substitute, modify or cancel them without any grantee right to indemnification. New grants of authorizations will have a minimum duration of five years. The authorizations or permissions for use of frequencies may not be transferred, leased or assigned, in whole or in part, without prior authorization by the SC.

Universal Service (SU) Regulation. The Universal Service regulation requires entities that receive revenues from telecommunications services to contribute 1% of these revenues (net of taxes) to the Universal Service Fiduciary Fund

(the SU Fund). The regulation adopted a pay or play mechanism for compliance with the mandatory contribution to the SU fund. The regulation established a formula for calculating the subsidy for the SU liability which takes into account the cost of providing this service and any foregone revenues. Additionally, the regulation created a committee responsible for the administration of the SU fund and the development of specific SU programs.

On June 8, 2007, the SC issued Resolution No. 80/07 which stipulated that until the SU Fund was effectively implemented, telecommunication service providers, such as Telecom Argentina and Personal, were required to deposit any contributions accrued since the issuance of such Resolution into a special individual account held in their name at Banco de la Nación Argentina. CNC Resolution No. 2,713/07, issued in August 2007, established how these contributions are to be calculated.

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New Universal Service Regulation

Decree No. 558/08, published on April 4, 2008, introduced certain changes to the SU Fund regime created by Decree No. 764/00. Decree No. 558/08 established that the SC would assess the value of service providers' direct program contributions in compliance with obligations promulgated by Decree No. 764/00. It would also determine the level of funding required in the SU Fund for programs pending implementation. In the same manner, in order to guarantee the continuity of certain projects, the SC was given the choice to consider as SU contributions certain other undertakings made by telecommunication services providers and compensate providers for these undertakings.

In defining Universal Service, the new regulation established two categories: (a) areas with uncovered or unsatisfied needs and (b) customer groups with unsatisfied needs. It also determined that the SC would have exclusive responsibility for the issuance of general and specific resolutions regarding the new regulation, as well as for its interpretation and application.

It also established that the SC will review SU programs which were established under the previous regulation, guaranteeing the continuity of SU programs already being administered and implementing programs that had been under review. The financing of SU ongoing programs which were recognized as such will be determined by the SC, whereas telecommunications providers appointed to participate in future SU Programs will be selected by competitive bidding.

The Decree requires Telecom Argentina and Telefónica to extend the coverage of their fixed line networks, within their respective original region of activity, within 60 months from the effective date of the Decree's publication. The SC will determine on a case-by-case basis if the providers will be compensated with funds from the SU Fund.

The Decree requires telecommunications service providers to contribute 1% of their revenues (from telecommunication services, net of taxes) to the SU Fund and keeps the pay or play mechanism for compliance with the mandatory monthly contribution to the SU Fund or, to claim the correspondent receivable, as the case may be.

Providers of telecommunications services shall rely on the assistance of a Technical Committee made up of seven members (two members appointed by the SC, one member appointed by the CNC, three members appointed by the telecommunication services providers—two of which shall be appointed by Telecom Argentina and Telefónica and one by the rest of the providers—and another member appointed by independent local operators). This Technical Committee is informed by the SC of the programs to be financed and is responsible for managing and controlling the SU Fund, carrying out technical-economic evaluations of existing projects and supervising the process of competitive bidding and adjudication of new SU programs, with prior approval by the SC.

The Technical Committee has been created and it is fully operative. Additionally, telecommunications service providers had already sent the proposed Fiduciary agreement to the SC. The SC approved it in January 2009 through Resolution No. 7/09.

On April 4, 2009, by means of SC Resolution No. 88/09, the SC created a program denominated Telephony and Internet for towns without provision of Basic Telephone services that will be subsidized with funds from the SU Fund. The program seeks to provide local telephony, domestic long-distance, international long-distance and Internet services in towns that did not provide Basic telephone services. The proposed projects approved by the SC would be sent to the Technical Committee of the SU Fund so that availability of funds can be evaluated and they can be included in a bidding process provided for in Decree No. 558/08.

On December 1, 2010, the SC issued Resolutions No. 147/10 and No. 148/10, approving Internet for educational institutions and Internet for public libraries programs, respectively. These programs aim to provide the Broadband Internet service to state-run educational institutions and public libraries, respectively, and would be implemented using SU Fund resources, through public biddings. The first bid for the Internet for educational institutions program for 4,900 schools, was awarded to Telecom Argentina, among others. Telecom Argentina is finishing the installation of the last project facilities, which will reach 1,540 schools and generate revenue to us from the FFSU of approximately P\$5 million per year for a period of 5 years. On the other hand, the auction Internet for public libraries program was cancelled by the Regulatory Authority to be redefined. Also, during 2012, the auction Telephony and Internet for towns without provision of Basic Telephone Service took place according to Resolution No. 88/09, which involved the service provision in 430 locations. Personal presented its offer to the auction. As of the date of this Annual Report, the auction is in pre-award stage.

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On November 11, 2010, the SC issued Resolution No. 154/10 adopting the methodology for the deposit of the SU contributions to the trustee's escrow account. The Resolution includes several provisions related to the determination of the contributions that correspond to the periods before and after Decree No. 558/08 was issued. It also states that telecommunication providers may discount the amounts incurred in the implementation of the SU Initial Programs from the contributions to the SU Fund until the SC determines if those Initial Programs qualify as such. However, if as a result of the SC's verification some amounts are not recognized as Initial Programs, those amounts would have to be contributed into the SU Fund or would have to be allocated to develop SU projects previously approved by the SC.

On December 30, 2010, the trustee notified Telecom Argentina and Personal of the trustee's escrow account number in which they shall deposit the SU contributions under the provisions of SC Resolution No. 154/10.

On January 26, 2011, the SC issued Resolution No. 9/11 establishing the Infrastructure and Equipment Program. The Resolution provides that telecommunication service providers can contribute to the projects in this program only the amounts corresponding to their pending SU contributions under Annex III of Decree No. 764/00, before the effective date of Decree No. 558/08.

In Telecom Argentina

By the end of 2002, the SC formed a working group responsible for analyzing the method to be applied for measuring the net costs of SU performance—particularly, the application of the Hybrid Cost Proxy Model (the HCPM Model), based on the incremental cost of a theoretical network. The working group was also tasked with defining non-monetary benefits and determining the methodology for its calculation, in order to assess the costs that would be offset due to performance of SU obligations. The working group decided that, given the complexity of this methodology, efforts should be made to continue the initial programs independently from application of the HCPM Model, and that there was a need to carry out a comprehensive review of the present general regulations relating to SU to ensure that these regulations were operative in the near term considering the existing social needs.

Several years after the deregulation of the market and effectiveness of the first SU regulations, incumbent operators have not received any set-offs for the services rendered under the SU regime.

Pursuant to Resolutions SC No. 80/07, SC No. 154/10 and CNC No. 2,713/07, Telecom Argentina has estimated for that SU Initial Programs a receivable of P\$1,457 million (unaudited) for the period initiated in July 2007 through December 31, 2013, and has filed its calculations for approval by the SC. This receivable has not yet been recorded since it is subject to approval of the SU programs and review of the SC.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom Argentina that investments associated with High-Cost Areas amounting to approximately P\$1,220 million since July 2007 and included in the above-mentioned receivables are not considered an Initial Indicative Program. Such resolution was appealed by Telecom Argentina. As of the date of this Annual Report, the outcome of this appeal is still pending.

On July 12, 2012, Telecom Argentina was notified of the SC Resolutions No. 53 and 54/12 and on July 25, 2012, it was notified of SC Resolutions No. 59, 60, 61 and 62/12, pursuant to which the Special Service of Information 110, the Discounts for Retired People, Pensioners and Low Consumption Households, the services of Social Public Telephony and Loss-Making Public Telephony, the Services and Discounts relating to the Information Society Program argentina@internet.todos, the Services for Deaf-Mute People and the Free Access to Special Emergency Services and Special Community Services, provided by Telecom Argentina did not qualify as an Initial Indicative Program, pursuant to the terms of Article 26 of Annex III of Decree No. 764/00, and that, taking into account the conditions and legal framework within which such services were developed by Telecom Argentina, they did not

constitute different services involving a SU provision, and therefore cannot be financed with SU funds, pursuant to the terms of Section 2 of Decree No. 558/08.

On August 21, 2012, the Company was notified of SC Resolutions No. 69 and 70/12, pursuant to which the Value Added Service 0611 and 0612 and the Long Distance Semipublic Service provided by Telecom Argentina did not qualify as an Initial Indicative Program, pursuant to the terms of Article

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26 of Annex III of Decree No. 764/00, and that, taking into account the conditions and legal framework within which such services were developed by Telecom Argentina, they did not constitute different services involving a SU provision, and therefore cannot be financed with SU funds, pursuant to the terms of Article 2 of Decree No. 558/08.

Telecom Argentina's Management, with the advice of its legal counsel, has filed appeals against SC Resolutions Nos. 53, 54, 59, 60, 61, 62, 69 and 70 presenting the legal arguments based on which such resolutions should be revoked. The deductions that were objected by the SC Resolutions amount to approximately P\$534 million and are included in the credit balance mentioned in the third paragraph of this section.

On September 13, 2012, the CNC required Telecom Argentina to deposit approximately P\$208 million. Telecom Argentina has filed a recourse refusing the CNC's request on the grounds that appeals against the SC Resolutions are still pending of resolution. However, it cannot be assured that these issues will be favorably resolved in the administrative stage. Otherwise, we cannot assure what actions the Company would take to defend its rights at court.

In Personal

Since January 2001, Personal has been recording a liability related to its obligation to make contributions to the SU Fund. In addition, since July 2007 and in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713/07, Personal deposited the correspondent contributions of approximately P\$112 million into an account held under their name at the Banco de la Nación Argentina.

During the first quarter of 2011, the abovementioned funds were transferred to the trustee's escrow account, in compliance with the provisions of SC Resolution No. 154/10 previously described. Since January 2011, the SU Fund monthly contributions are now being made into such escrow account.

In March 2011, Personal submitted to the SC a P\$70 million investment project, pursuant to SC Resolution No. 9/11, for the development of network infrastructure in locations in the Northern Region of Argentina with no mobile coverage. As of the date of this Annual Report, SC approval of this project is still pending.

On July 5, 2012, the SC issued Resolution No. 50/12 pursuant to which it notified that the services referred to by the Mobile Communications Services Providers, which were filed as High Cost Areas or services provided in non-profitable areas, services provided to clients with physical limitations (deaf-mute and blind people), rural schools, and the request relating to the installation of radio-bases and/or investment in the infrastructure development in various localities, do not constitute items that may be discounted from the amount of contributions to the SU pursuant to Article 3, last part, of Resolution No. 80/07, or Article 2 of Decree No. 558/08. It also provides that certain amounts already deducted may be used for investment projects within the framework of the Program of SC Resolution No. 9/11, or deposited in the SU Fund, as applicable.

Personal has filed an administrative action against SC Resolution No. 50/12 requesting its nullity. As of the date of this Annual Report, the resolution of this matter is still pending.

On October 1, 2012, responding to an SC's requirement, Personal deposited under protest approximately P\$23 million in the SU Fund, corresponding to the assessment of the SU services provided by Personal since the issuance of Decree No. 558/08, reserving its right to take all actions it may deem appropriate to claim its reimbursement, as informed to the SC and the CNC on October 15, 2012. Since August 2012, Personal has paid its monthly calculations under protest of those concepts.

It cannot be assured that this issue would be favorably resolved in the administrative stage. Otherwise, we cannot assure what actions the Company would take to defend its rights at court.

Administrative complaint in connection with the service cuts affecting Telecom Argentina and Personal s customers

In the normal course of business, telecommunication service providers face the possibility of incidents in their networks or other assets which could have varying impacts on the services provided to customers. The regulatory framework applicable to Telecom Argentina and Personal provides for the possibility of interruptions in the provision of services and also allows for the suspension of service in case of unforeseen circumstances or force majeure. In particular, the list of conditions of the Mobile

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Telephony Service (approved by Decree No. 1,461/93) and the General Regulation of Individual Communications Service (approved by Resolution SC No. 60/96) provide for a penalty regime taking into account the period of the service interruption, exempting from any sanction the total service provision interruption of no more than 24 hours and partial service interruptions for periods of less than seven days. The Telecom Group seeks to prevent such incidents, and, in case of any occurrence, ensure their resolution as soon as possible.

However, the CNC has recently initiated various administrative procedures against Telecom Argentina and Personal related to various network incidents, including some originated by cases of unforeseen circumstances or force majeure, imposing penalties of various amounts for the companies of the Telecom Group.

The more relevant administrative sanctions are as follow:

Date of the incident	Company	Approximate duration of the incident and impact	Sanctions
06/12/2012	Telecom Argentina	2 ½ hours (affecting certain services in some cities)	Fine of approximately P\$0.6 million.
06/12/2012	Personal	2 ½ hours (affecting certain services in some cities)	Fine of approximately P\$0.6 million and P\$10 of reimbursement to each customer affected, with a penalty of P\$4,690 for each day of delay in complying with the reimbursement.
03/08/2013	Personal	2 hours (affecting certain services in some cities)	Fine of P\$6 million and P\$30 of reimbursement to each customer affected, with a penalty of P\$140,700 for each day of delay in complying with the reimbursement.
04/02/2013	Personal	Service provision affected by the flooding of La Plata city.	Fine of approximately P\$2 million and P\$60 of reimbursement to each customer affected, with a penalty of P\$140,700 for each day of delay in complying with the reimbursement.
05/10/2013	Personal	10 hours (affecting certain services in some cities)	Fine of approximately P\$0.6 million and a daily fine of P\$1,407 per day of delay in complying with reporting required by the CNC with respect to the incident.

Telecom Argentina and Personal have filed their defenses against such penalty procedures in the administrative stage, arguing that these penalties should not be imposed. As of the date of this Annual Report, these penalty procedures are not final. However, it cannot be assured that a favorable result will be obtained at the administrative stage.

Resolution SC No. 1/13

On April 8, 2013, Resolution SC No. 1/13 was published in the Official Bulletin, requiring that all mobile operators guarantee the availability of network service, even in emergency situations, in which case the normal provision of mobile services 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 SC No. 1/13 established that mobile operators provide, 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 this Annual Report, Personal has appealed Resolution SC No. 1/13, based on the argument that the Resolution introduces new obligations to mobile operators which substantially change the current licenses conditions. Notwithstanding the appeal, Personal has met its commitment to present a contingency plan for emergency situations.

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Resolution SC No. 5/13

On July 2, 2013, SC Resolution No. 5/13 was published in the Official Bulletin. This resolution approved a telecommunication service quality regulation, establishing, among others, new quality parameters required for telecommunication services provided through mobile and fixed public networks, for all the operators in Argentina, as well as the obligation that providers give periodic information to CNC.

CNC Resolution No. 3,797/13 was published in the Official Bulletin on November 13, 2013, supplementing SC Resolution No. 5/13 and approving the Audit Procedures and Technical Verification of Service Quality Regulation of Telecommunications Services Manual. Resolution No. 3,797/13 establishes guidelines and requirements regarding customer care and technical indicators of the network performance, for the operators who must comply with the telecommunication service quality regulation. This Resolution will be gradually implemented during 2014.

Telecommunication operators have requested, to the SC, the progressive application of the new quality standards, the redefinition of some of them due to technical reasons and the review of the technical indicators contemplating current allocation of the spectrum between mobile operators.

As of the date of this Annual Report, Telecom Argentina and Personal are analyzing the operational aspects required by the new regulations as well as its economic impact and applicable actions to be taken.

Regulation of Users of Mobile Communication Services

On September 9, 2013, the SC issued Resolution No.12/13, which established a public comment procedure whereby the public may express opinions and offer proposals on the Project of Regulation of Users of Mobile Communication Services. As of the date of this Annual Report, the period for such public comment has expired. The draft regulation contemplates, among other matters, the filing of all service contracts electronically and on paper and also modifies the way changes in business and marketing service plans are disclosed. As part of that process, Personal has submitted comments to the project stating the effects that the proposed provisions, if approved, would have on the Argentine mobile communications industry. Among others, such effects could include more bureaucratic hurdles in the relationship with the client and increased costs for Telecom Personal.

Change in the valuation method of mobile services and information on the conditions of commercial mobile plans

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

The resolution requires providers of mobile communications services to adopt appropriate measures for the implementation of the new method within 60 calendar days of the publication of the resolution for current customers, and within 15 calendar days of publication for new customers.

The resolution also establishes that the prices for each type of service plan, as well as the commercial conditions for all service plans, must be reasonable and non-discriminatory, and must be submitted to the Enforcement Authority no less than 60 calendar days prior to their becoming effective.

Rates

The Price Cap was a rate regulation mechanism applied to calculate changes in Telecom Argentina's basic services rates using the U.S. Consumer Price Index (the U.S. C.P.I.) and an efficiency factor. However, in October 2001, a preliminary injunction prohibited Telecom Argentina from applying rate increases by applying the U.S. C.P.I.

Public Emergency Law No. 25,561 explicitly prohibited rate adjustments. As of the date of this Annual Report, the Pesification and the freeze of regulated rates remain in force. Therefore, the Price Cap regime is suspended and it is unknown if and when it will come back into effect or be replaced by other rate regulation procedures.

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In accordance with the Public Emergency Law, in January 2002, rates for Basic telephone services and long-distance services were converted to pesos and fixed at an exchange rate of P\$1.00=US\$1.00. The rates Telecom Argentina may charge in the future will be determined by negotiations between Telecom Argentina and the Argentine government. The Public Emergency Law has been subsequently extended through December 31, 2015.

On March 6, 2006, Telecom Argentina executed a Letter of Understanding (the Letter of Understanding 2006) with the Argentine government pursuant to which Telecom Argentina will be permitted to raise the termination charge for international incoming calls, increase the time bands for peak-hour rates applied to local and domestic long-distance calls and incorporate certain modifications to the current regulatory framework.

The Letter of Understanding 2006 contemplated the signing and effectiveness of the Minutes of Agreement of the Renegotiation upon the fulfillment of certain necessary administrative steps. As of the date of this Annual Report, such fulfillment has yet to occur. Although we expect such fulfillment to occur, we cannot guarantee whether or when this will happen. We are unable to predict the outcome of the negotiations that are continuing with regard to further rate increases and the future rate scheme. Also, we are unable to predict whether the Argentine government, as a result of the current rate renegotiations, will impose additional conditions or requirements and if these conditions or requirements are imposed, whether we will be able to satisfy them.

Rate Regulations

Rate Rebalancing. At the time of ENTel's privatization, the need for a future amendment of rates to rebalance the pricing of domestic and international charges was foreseen. Subsequent agreements established the right of licensees to a Rate Rebalancing and set forth some methods to implement a new rate structure.

Decree No. 92/97 provided for a significant reduction in domestic and international long-distance rates, an increase in basic telephony charges, the elimination of Free Pulses and an increase in urban rates. The Rate Rebalancing was undertaken as part of the Argentine government's plan to create a competitive environment in the Argentine telecommunications industry. One of the main principles of the Rate Rebalancing was to have a neutral effect on the licensee's revenues.

The new rate schedule was intended to reduce cross-subsidies (particularly those existing between urban and long-distance services) to create a competitive environment beginning in the year 2000. Decree No. 2,585/91 established that the Rate Rebalancing should have a neutral effect on the licensees' revenues. In developing the rate structure implemented by Decree No. 92/97, the Argentine government relied on studies which demonstrated that because of the elasticity of demand for telephone service, an increase in demand for lower-priced services would compensate for the rate reductions. Decree No. 92/97 established corrective methods to facilitate neutral results on revenues.

The variation in revenues resulting from the Rate Rebalancing for the two-year period beginning February 1997 was determined to amount to an increase of P\$9.5 million in accordance with SC Resolution No. 4,269/99. As a result, during fiscal year 2007, Telecom Argentina recorded a liability on the CNC final results, which was shown as a deduction from the Resolution No. 41/07 receivables. In April 2009, the CNC notified the offsetting of the P\$9.5 million Rate Rebalancing amount with the Resolution No. 41/07 receivables (See Tax Stability: Social Security Contribution Variations), thus ratifying the registration made by Telecom Argentina.

Historical Rates. The following table sets forth certain of our maximum monthly rates for various components of local service and domestic long-distance service which have been in effect since 1999:

	Maximum rate (1)	
<i>Residential:</i>		
Installation charge per line	P\$	150
Monthly Basic Charge per line	U.S. Dollars (2)	13.23
<i>Commercial:</i>		
Installation charge per line	U.S. Dollars (2)	150
Monthly Basic Charge per line	U.S. Dollars (2)	27.30
<i>Prices:</i>		
Price per pulse (nominal)	U.S. Dollars (2)	0.0469

(1) Figures shown do not include value added tax charged to customers.

(2) In accordance with Public Emergency Law, these rates were pesified at the exchange rate US\$1.00 to P\$1.00.

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Price Cap. The List of Conditions required that rates undergo an annual reduction until the Regulatory Bodies determine that there is effective competition in the markets we serve. The Price Cap was a regulation method applied in order to calculate changes in Telecom Argentina's rates, based on changes in the U.S. C.P.I. and an efficiency factor. A 2% (measured in real dollar terms) reduction in the prior year's rates was required for each of the third through the seventh year following the Transfer Date (through November 7, 1997). In addition, following the extension of the exclusivity period, rates were required to be 4% lower (measured in real dollar terms) than the prior year's rates. This requirement was maintained pursuant to the Rate Agreement, whereby Telecom Argentina was permitted to effect aggregate rate reductions by lowering rates for some or all categories of service, provided that net reductions meet the applicable targets. The application of annual reductions to the general level of rates established in the List of Conditions (price cap) has been implemented mainly by reducing the long-distance rates and (in Price Cap 1998) discounts to certain public entities, including the fire departments and public libraries. The CNC notified Telecom Argentina of the completion of the Price Cap 1998 audit which did not show any balance that needed to be applied. As a result of the 1999 Price Cap audit process and Telecom Argentina's reviews, the Regulatory Authority notified us, in August 2009, of the existence of an outstanding balance of P\$3.1 million plus interest. Telecom Argentina has offset this amount with the credit resulting from SC Resolution No. 41/07. See Tax Stability: Social Security Contribution Variations.

On April 6, 2000, the Argentine government, Telefónica and Telecom Argentina signed an agreement (Price Cap 2000) that set the price cap efficiency factor at 6.75% (6% set by the SC and 0.75% set by Telecom Argentina and Telefónica) for the period of November 2000 to October 2001.

The 2000 Price cap audit results are still pending. Should the outcome of these audit results yield a payable by Telecom Argentina, this payable can be offset with the receivables generated by Resolution No. 41/07. See Tax Stability: Social Security Contributions Variation.

In April 2001, the Argentine government, Telefónica and Telecom Argentina signed an agreement (2001 Price Cap) that set an efficiency factor for reduction of rates at 5.6% for the period from November 2001 to October 2002.

However, in October 2001, a preliminary injunction against Telecom Argentina disallowed Telecom Argentina to apply rate increases by reference to the U.S. C.P.I. Telecom Argentina appealed this injunction arguing that if one part of the formula could not be applied, the Price Cap system should be nullified. Finally, Public Emergency Law No. 25,561 explicitly prohibited rate adjustments. As of the date of this Annual Report, the Pesification and the freeze of the regulated rates are still in force, therefore the price cap regime is suspended and it is unknown if and when it will come back into effect or be replaced by other rate regulation procedures.

Installation Charges. Under the Rate Agreement, Telecom Argentina was required to gradually reduce installation charges so as to achieve pricing levels equal to those for internationally mature networks (estimated in the Rate Agreement to be US\$250) and to eliminate distinctions between residential and commercial users. Decree No. 92/97 established that, beginning in November 1997, installation charges could not exceed the amount charged in mature international markets. According to this decree, the current maximum permitted charge is US\$150 (pursuant to the Public Emergency Law, this charge was pesified at the exchange rate of US\$1.00=P\$1.00). Telecom Argentina has been applying several promotions to installation charges.

Monthly Basic Charges. Until the effective date of Decree No. 92/97, customers were entitled to a certain number of Free Pulses per line depending on the category of each customer and the number of lines in the area. As a result of the application of Decree No. 92/97 and in order to offset rate reductions for domestic and international long-distance services, Free Pulses were eliminated for all categories of customers and monthly basic charges were equalized throughout the country. Decree No. 92/97, however, provided for a special reduced rate that is available to certain

retired people and low-consumption residential customers.

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Long-Distance Rates. Decree No. 92/97 reduced the average weighted domestic long-distance rate by approximately 33%. Under this revised rate schedule, interurban rates were significantly reduced, with maximum long-distance rates reduced by 56%. Calls within Provincial Code 1 (up to 30 km) made within provincial cities are billed at an urban rate.

Letter of Understanding Relating to Basic Services. Pursuant to the Letter of Understanding 2006, described under Rates, the government has agreed that Telecom Argentina can increase the termination charges applied to incoming international calls and reduce the time bands for off-peak local rates. As of the date of this Annual Report, Telecom Argentina is expecting the completion of certain administrative steps required for the National Executive to submit to the National Congress a proposed Memorandum of Agreement for Renegotiation. See Rates for a description of the status of the letter of understanding 2006.

Tax on Deposits to and Withdrawals from Bank Accounts (IDC). On February 6, 2003, the Ministry of Economy and Public Finance, through Resolution No. 72/03, defined the method to allow, going forward, rate increases on Basic telephone services reflecting the impact of the IDC. The amount of tax charged must be shown separately in customers' bills. Telecom Argentina has determined the existence of a remaining unrecovered amount of approximately P\$23 million that arose before the issuance of Resolution No. 72/03. Telecom Argentina planned to claim such amount within the rate renegotiation process (See Rates). In April 2007, Telecom Argentina provided the CNC with supporting documentation about this amount for its audit. Telecom Argentina had access to the CNC's audit documentation which corroborates the amounts claimed by Telecom Argentina and its application of a similar offsetting method pursuant to Resolution No. 41/07 described below. As a result, the Company recorded as Non-current Other receivable a total of P\$23 million.

Tax Stability: Social Security Contribution Variations. On March 23, 2007, the SC issued Resolution No. 41/07 relating to the impact of variations in social security contributions occurring over the past several years and the proposed use for the resulting savings and increases in contribution rates that have occurred. Pursuant to Resolution No. 41/07, Telecom Argentina may offset the impact of costs caused by increases in social security contribution rates that have been implemented in accordance with the applicable regulations against the savings caused by reductions in the levels of social security contributions initially earmarked for the argentina@internet.todos Program.

Telecom Argentina's implementation of Resolution No. 41/07 was subject to CNC audits, which were carried out during the third quarter of 2007. Telecom Argentina gained access to the documentation related to the CNC's audits and it showed no significant differences as compared to the net amounts that Telecom Argentina had determined.

Consequently, Telecom Argentina recorded a receivable from increases in social security contributions and canceled payables stemming from reductions in social security contribution rates and other fines due by Telecom Argentina. As of December 31, 2013, Telecom Argentina has a net receivable of P\$62 million which, in addition to the receivable of P\$23 million corresponding to the IDC, is included in the line item Other receivables as non-current receivables.

Since Resolution No. 41/07 gives Telecom Argentina the right to offset receivables with existing and/or future regulatory duties and, given its intention to exercise this right, the receivable was recorded net of reserves. As of December 31, 2013, the reserves corresponding to these regulatory duties amounted to P\$85 million.

In 2013, Telecom Argentina continued its practice of billing customers for the increases in its social security contribution rate accrued from October 2008, applying the same method used to bill the IDC.

Other Regulations

Regulation for the Call-by-Call Selection of the Providers of Long-Distance Services. On December 28, 2001, the former Ministry of Infrastructure and Housing issued General Resolution No. 613/01, approving a system that allows callers to select their preferred long-distance provider for each call. This call-by-call selection system is referred to as SPM.

Subsequently, as a result of claims submitted by several carriers objecting to General Resolution No. 613/01, the Ministry of Economy and Public Finance issued General Resolution No. 75/03, which introduced several changes to the regulations setting forth the SPM. The main changes relate to the following: long-distance carriers' freedom to provide SPM, changes in blockage modality due to delinquency, changes in the service connection modality and greater flexibility of obligations related to

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service promotion and advertising. General Resolution No. 75/03 also provides that origin providers, both fixed and mobile, must have their equipment and networks available to provide the SPM service within 120 days of February 6, 2003. Our equipment and networks have been able to provide this service since 2002. As of the date of this Annual Report, this long-distance service modality has not been implemented.

Buy Argentine Act. In December 2001, the Argentine government passed Public Law No. 25,551 (the *Compre Trabajo Argentino* or Buy Argentine Act), and in August 2002, Decree No. 1,600/02 approved and brought such Act into effect.

The Act requires Telecom Argentina to give priority to national goods and services, as defined in Public Laws No. 25,551 and No. 18,875, in any procurement related to the rendering of Basic telephone services. Priority must be given to national goods and services as long as the price of such goods is equal to or lesser than the price of a foreign good (including customs duties, taxes and other expenses that are linked to the nationality of goods) increased by 7% (when the Argentine offeror is a small-or medium-size company) or 5% (when the Argentine offeror is any other company).

The Buy Argentine Act also mandates that Telecom Argentina publish any bid for services in the Official Bulletin in order to provide any and all prospective offerors with information necessary for them to participate. This mandatory publication requires considerable lead time before the issuance of the purchase order and has had the result of extending the period needed to complete certain purchases. Non-compliance with the Act is subject to criminal sanctions.

Public Law No. 18,875 establishes the obligation to exclusively contract services, as defined by such law, with local companies and professionals. Any exception must receive the prior approval of the relevant Ministry.

In August 2004, CNC Resolution No. 2,350/04 enacted the Procedure for the fulfillment of the Buy Argentine Act, which requires Telecom Argentina to present biannual returns addressing its compliance with these rules. Non-compliance with this obligation is subject to administrative sanctions. Since this regulation requires Telecom Argentina to make bids for goods and services and/or to obtain any necessary approvals by a relevant authority, and given the higher administrative expenses derived from the obligation to present biannual returns, this regulation reduces Telecom Argentina's operating flexibility.

Rendering of Fixed Telephony Through Mobile Telephony Access Infrastructure. In August 2007, through SC Resolution No. 151/07, fixed telephony was granted access to particular frequency bands, with the purpose of providing Basic telephone services in rural and suburban areas through the mobile access infrastructure used for the provision of mobile telephony service. Telecom Argentina and Telefónica provide this service within their respective fixed telephony service original regions. Telecom Argentina has installed fixed lines based on this technology in order to satisfy service demand in rural and suburban areas.

Calling Party Pays - CPP. As from April 15, 1997, pursuant to Decree No. 92/97 and SC General Resolutions No. 263/97 and No. 344/97, mobile telephone services apply the CPP system, whereby the party placing a call from a fixed-line to a mobile phone pays for the air-time charges for the call. As an exception to this rule, traffic originating from public telephones does not pay CPP, and is instead charged according to the Mobile Party Pays or MPP system, whereby the mobile party pays for the call received.

In March 2002, Personal started entering into agreements with the telephone operators to charge CPP for calls made by calling cards. Mobile operators have also agreed to pay for traffic terminated in each other's networks at agreed prices.

In accordance with SC General Resolution No. 124/02, since January 2003, mobile operators can charge the CPP for international calls whereby overseas calls that terminate in mobile telephones in Argentina pay for CPP charges. In order to identify these calls, customers dialing from outside must add a prefix 54 + 9 + area code to the mobile number.

The price per minute for the CPP (for fixed-line to mobile calls) is regulated by the SC based on average traffic volume and costs, as reported by the mobile operators under Resolution SC No. 623/02 which approved the calculation mechanism for the reference value of the TLRD costs for CPP modality. Resolution SC No. 48/03 fixed the values for the TLRD at P\$0.335 per minute for peak-hours and P\$0.22 per minute for off-peak hours, but these values had to be revised by the SC a month after their approval, with a second revision during the subsequent six months that was to be in turn followed by quarterly revisions. However, the SC has yet to complete these revisions.

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The CPP price per minute for international calls has been agreed upon by the mobile operators and currently stands at US\$0.18.

Law No. 25,891. Law No. 25,891 was adopted on April 2, 2004, but material regulations under this law are still pending. This regulation intends to regulate the commercial distribution of mobile services and includes mandated registration of personal data for all customers, creating a Public Registry in the SC named *Registro Público Nacional de Clientes y Usuarios de Comunicaciones Móviles*.

Regulations Applicable to PCS Services

PCS. Personal has licenses for PCS in all areas in Argentina.

AMBA. In June 1999, Personal and Unifón were jointly awarded a license of 40 MHz in the PCS Band for the region including the AMBA. Miniphone and Movicom each exercised the right to acquire a license of 20 MHz in the PCS Band. Personal and Unifón have divided the 40 MHz license awarded to the two companies and the additional 20 MHz license granted to Miniphone (10 per company).

Interior Regions. Personal holds licenses of 40 MHz in the PCS Band in the Southern Region. Personal also holds a license of 20 MHz in the PCS Band in the Northern Region.

In August 2006, the CNC issued Resolution No. 2,528/06 declaring that Personal had fulfilled its obligations under the *Pliego de Bases y Condiciones* for the acquisition of the licenses for the provision of PCS. In addition, the SC issued Note No. 1,040/06 which enabled Personal to recover the promissory notes used to guarantee the granted PCS licenses and, therefore, all such notes have been recovered.

Personal also has licenses for Data Transmission and Value Added Services (granted by Resolution SC No. 18/96 and confirmed by Resolution SC No. 55/96), and for National and International Long Distance Telephony Service (Registered by Resolution SC No. 502/01).

In connection with Telefónica Móviles acquisition and combination of operations of Unifón and Movicom, in 2004, the SC authorized a change in shareholder control of stakes held in Compañía de Radiocomunicaciones Móviles S.A. and in Compañía de Teléfonos del Plata in Telefónica Móviles favor. This authorization was conditioned upon the return, without charge, of frequency bands exceeding an aggregate 50 MHz in accordance with the effective laws and pursuant to a plan to be subsequently issued. See Regulatory Framework Regulatory Bodies and General Legal Framework Licences granted as of December 31, 2013 Radio electric spectrum auction for a description of the reassignment of the 850 Mhz and 1,900 Mhz frequency bands returned by Telefónica Móviles Argentina S.A.

DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012 (ITRSHRA)

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) requires an issuer to disclose in its annual or quarterly reports filed with the SEC whether the issuer or any of its affiliates has knowingly engaged in certain activities, transactions or dealings with the government of Iran, relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the annual or quarterly report. Disclosure is required even when the activities were conducted outside the United States by non-U.S. entities and even when such activities were conducted in compliance with applicable law.

In accordance with our Code of Ethics and Conduct, we seek to comply with all applicable laws.

Activities relating to Iran

Telecom Group

The only activity we have that, to our knowledge, relates in any way to Iran is our roaming agreement with Mobile Company of Iran (MCI) (formerly TCI).

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Our roaming agreements allow our mobile customers to use his or her mobile device on a network outside the subscriber's home network. (See Glossary of Terms - Roaming).

Like all major mobile networks, in response to the competition and customers' demands Personal has entered into roaming agreements with many foreign mobile networks, including MCI, to allow their customers to make and receive calls abroad.

Roaming agreements are, including the one relating to Iran, on standard terms and conditions. Entering into roaming agreements is an activity carried out in the ordinary course of business by a mobile network operator.

Roaming agreements are, generally, reciprocal. Pursuant to a roaming agreement when our mobile customers are in a foreign country covered by the network of an operator with which we have a roaming agreement (the Foreign Operator), our mobile customers may make and receive calls on their mobile phone using the Foreign Operator's network. Likewise, the Foreign Operator's customers may make and receive calls using our networks when these customers are in Argentina.

The Foreign Operator bills us for the calls made and received by our roaming customers at the rate agreed upon in the applicable roaming agreement. We then bill these customers according to the specific roaming fees in their subscription agreement. Likewise, we bill the Foreign Operator at the roaming rate agreed upon in the applicable roaming agreement. The Foreign Operator bills its clients for the calls made and received using our networks according to customer agreements. Roaming agreements do not, generally, contemplate other fees or disbursements.

In 2013, the consolidated impact on net profit (loss) arising from our roaming agreements with MCI was as follows:

our total revenues under roaming agreements with MCI were approximately US\$367 (three hundred and sixty seven U.S. dollars).

our total charges paid under roaming agreements with MCI were approximately US\$220 (two hundred and twenty U.S. dollars).

These revenues and charges are immaterial to our consolidated revenues and operating expenses, respectively. Because we do not separately allocate costs directly attributable to the service provision or other overhead costs to these transactions, the amount of our consolidated net profits earned under these agreements is not determinable, but it does not exceed our gross revenues from the agreements.

The purpose of our roaming agreements is to provide our customers with coverage in areas where we do not own networks. For that purpose, we intend to continue maintaining our roaming agreements.

Telecom Italia

We are also required to disclose our affiliates' activities relating to Iran. We have been informed that other members of the Telecom Italia Group also have entered into roaming agreements with Iranian telecommunications operators. The information in this section is based solely on information provided to us by our Parent Telecom Italia S.p.A. for purposes of complying with our obligations under Section 13(r) of the Exchange Act. Information set forth below is for the consolidated Telecom Italia Group and includes the impact of our revenues and charges described above.

The Telecom Italia Group operates one of the largest mobile networks in Italy. Through its foreign subsidiaries, Telecom Italia also has large mobile operations in Brazil (Tim Participações S.A. by means of its subsidiary TIM Celular S.A.) and Argentina (Telecom Argentina S.A. by means of Telecom Personal S.A.).

Telecom Italia informs us that the only activities that Telecom Italia has that, to its knowledge, relate in any way to Iran are:

roaming agreements with the following Iran mobile phone operators: Taliya, KFZO TKC, Irancell (MTN) and Mobile Company of Iran (MCI); and

commercial relationship for the delivery of traffic from Iran to its networks and from its networks to Iran (International Carrier Agreements). To this end, its subsidiary Telecom Italia Sparkle S.p.A. (TI Sparkle) entered into agreements with Telecommunication Company of Iran. In addition, Telecom Italia S.p.A. has also entered into certain agreements (of a small amount) for the provision of TLC services (marine radio traffic) with Telecommunication Company of Iran and Islamic Republic of Iran Shipping Lines.

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Roaming. Telecom Italia informs us that in 2013, the impact on Telecom Italia Group net profit (loss) arising from such roaming contracts is analyzed as follows:

its total revenues from roaming agreements with Iranian networks were approximately 182 thousand euros (of which 159 thousand euros were recorded by Telecom Italia S.p.A.); and

its total charges from roaming agreements with Iranian networks were approximately 212 thousand euros (of which 210 thousand euros were recorded by Telecom Italia S.p.A.).

The purpose of all of these roaming agreements is to provide Telecom Italia’s customers with coverage in areas where Telecom Italia does not own networks. For that purpose, it intends to continue maintaining these roaming agreements.

International Carrier Agreements. As a rule in the modern telecommunication business, when traffic from a specific network is placed to or transported through another carrier’s network (the Host Network), the Host Network receives a fee from the incoming network.

Telecom Italia informs us that in 2013, the impact on its net profit (loss) arising from the above International Carrier Agreements is analyzed as follows:

its total revenues from traffic from networks located in Iran to its networks were approximately 1.4 million euros; and

its total charges from traffic to networks in Iran from its networks were approximately 0.5 million euros.

The purpose of this agreement is to allow exchange of international traffic. Consequently, Telecom Italia intends to continue maintaining this agreement.

All such amounts of revenues and charges are de minimis with respect to Telecom Italia consolidated revenues and operating expenses, respectively.

CAPITAL EXPENDITURES

Capital expenditures (investment in Property, Plant and Equipment – PP&E – and Intangible Assets) amounted to P\$4,851 million in the year ended December 31, 2013, P\$3,257 million in the year ended December 31, 2012, and P\$3,192 million in the year ended December 31, 2011.

The following table sets forth our Total Additions (Capital Expenditures plus Materials) for the years ended December 31, 2013, 2012 and 2011, amounting to P\$5,214, P\$3,416 and P\$3,359, respectively.

Year ended December 31,		
2013	2012	2011

	(P\$ million)(1)		
Land and buildings	172	88	184
Switching and transmission	990	558	640
Equipment and infrastructure for special projects	67	94	23
Access and outside plant	1,387	732	710
Computer equipment and software	952	636	589
Other	396	307	172
Subtotal tangible capital expenditures (2)	3,964	2,415	2,318
Rights of use, exclusivity agreements and licenses	5		106
Service connection or habilitation costs	88	21	22
Subscribers acquisition costs	794	821	746
Subtotal intangible capital expenditures	887	842	874
Total capital expenditures	4,851	3,257	3,192
Materials (3)	363	159	167
Total additions in PP&E and intangible assets	5,214	3,416	3,359

- (1) The allocation of work in progress among items is estimated.
- (2) Includes materials transferred amounting to P\$450 million, P\$209 million and P\$231 million as of December 31, 2013, 2012 and 2011, respectively.
- (3) Each year increase is calculated as the net amount between additions and transfers to work in progress during the year.

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In addition, the following table shows capital expenditures for the years ended December 31, 2013, 2012 and 2011 broken down by Fixed Services and Mobile Services:

	Year ended December 31,		
	2013	2012	2011
	(P\$ million)		
<u>Fixed Services</u>			
Land and buildings	124	56	74
Switching and transmission	431	265	310
Equipment and infrastructure for special projects	67	94	23
Outside plant	819	491	455
Computer equipment and software	367	270	194
Other	229	171	131
Subtotal tangible capital expenditures	2,037	1,347	1,187
Rights of use, exclusivity agreements and licenses			105
Service connection or habilitation costs	88	21	22
Subscribers acquisition costs	30	61	49
Subtotal intangible capital expenditures	118	82	176
Total Fixed Services capital expenditures	2,155	1,429	1,363
<u>Personal Mobile Services and Núcleo Mobile Services</u>			
Land and buildings	48	32	110
Switching and transmission	559	293	330
Mobile network access	568	241	255
Computer equipment and software	585	366	395
Other	167	136	41
Subtotal tangible capital expenditures	1,927	1,068	1,131
Rights of use, exclusivity agreements and licenses	5		1
Subscribers acquisition costs	764	760	697
Subtotal intangible capital expenditures	769	760	698
Total Personal Mobile Services and Núcleo Mobile Services capital expenditures (1)	2,696	1,828	1,829
Total capital expenditures	4,851	3,257	3,192

(1) Includes P\$327 million, P\$193 million and P\$171 million of capital expenditures in Paraguay as of December 31, 2013, 2012 and 2011, respectively.

During 2013, capital expenditures in the Fixed Services segment were focused on continuing the deployment of a loop shortening plan, and on improving our ability to supply the increased demand by companies, neighborhoods and buildings. Additionally, capital expenditures in the Fixed Services segment were focused on the deployment of DWDM and PTN technology in order to enable Telecom Argentina to improve the bandwidth available to mobile operators.

With respect to the Personal Mobile Services segment, capital expenditures have been made to extend 3G network capacity and coverage to many cities in Argentina. This objective was met mainly through the implementation of replacement plans and a network upgrade, the launch of a 3G second carrier, the deployment of six sectors technology (both actions can practically double the capacity of sites in which this technology is installed) and the installation of new sites that provide coverage and capacity simultaneously.

We estimate that our capital expenditures will be approximately P\$5.6 billion in 2014 (P\$4.3 billion in tangible assets and P\$1.3 billion in intangible assets, particularly Subscriber Acquisition Cost (SAC). See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Expenditures.

The main investment projects of the Telecom Group in the Fixed Service Segment are related to the reconversion of the network architecture, which involves the replacement of copper by fiber optics in different points (FTTC or fiber connection to the cabinet, FTTB or fiber to the building and FTTH or fiber to the home), with the aim of improving the commercial offer and the Internet user experience. The evolution towards new technology helps to optimize the quality of service in terms of stability and availability. In the Mobile Service Segment, we continue with the reconversion technological network plan, mainly through the installation of a 3G second carrier nationwide, which optimizes mobile services in order to have greater speed and capacity accompanying the growth in demand for data traffic. We expect to continue increasing the 3G network capacity to optimize the use of the available spectrum.

We expect to finance these expenditures through operating cash flows and financing provided by our vendors.

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As detailed below, our principal physical properties consist of transmission equipment, access facilities, outside plant (external wiring) and switching equipment. These properties are, at present, mainly located throughout the Northern Region. We believe that these assets are, and for the foreseeable future will be, adequate and suitable for their respective uses.

	As of December 31, 2013		
	Fixed Services	Personal Mobile Services and Núcleo Mobile Services (P\$ million)(*)	Total
Land and buildings	933	125	1,058
Switching and transmission	1,666	1,720	3,386
Access and outside plant	2,714	1,339	4,053
Equipment & infrastructure for Special Projects	176		176
Computer equipment and software	690	1,138	1,828
Materials	228	97	325
Others	150	250	400
Total PP&E, net carrying value	6,557	(**)4,669	(***)11,226

(*) The allocation of work in progress among items is estimated.

(**) Includes P\$1,065 million located in Paraguay.

(***) Net of valuation allowance for materials for P\$21 million and impairment of PP&E for P\$156 million. All of the above-mentioned assets were used to provide service to our customers as described below.

	2013	2012	2011
	(thousands)		
Fixed lines in service	4,124	4,128	4,141
Fixed Internet access lines	1,707	1,629	1,550
Mobile subscribers(*)	22,508	21,276	20,342

(*) In 2013, 2012 and 2011, includes 2,420, 2,301 and 2,149 thousand Núcleo mobile subscribers, respectively, of which 5, 6 and 8 thousand were Internet (Wi-Max) customers.

As of December 31, 2013, we have entered into purchase commitments relating to PP&E totaling P\$2,105 million primarily for switching equipment, external wiring, network infrastructure, inventory and other goods and services. In general, the contracts are financed, directly or indirectly, by domestic and foreign vendors.

Our current major suppliers of fixed assets are Cía. Ericson S.A.C.I. , Huawei Tech Investment Co. Ltd. Argentina, Italtel Argentina S.A., Alcatel-Lucent de Argentina S.A., Oracle Argentina S.A., Nokia Siemens Network Argentina S.A. and Hewlett Packard Argentina S.R.L.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

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You should read the following discussion in conjunction with our Consolidated Financial Statements, including the notes to those financial statements, which appear elsewhere in this Annual Report. Our Consolidated Financial Statements have been prepared in accordance with IFRS. See **Item 3 Key Information Selected Financial Data**. The following discussion and analysis is presented by the Management of our company and provides a view of our financial condition, operating performance and prospects from Management's perspective. The strategies and expectations referred to in this discussion are considered forward-looking statements and may be strongly influenced or changed by shifts in market conditions, new initiatives that we implement and other factors. Since much of this discussion is forward-looking, you are urged to review carefully the factors referenced elsewhere in this Annual Report that may have a significant influence on the outcome of such forward-looking statements. We cannot provide assurance that the strategies and expectations referred to in this discussion will come to fruition. Forward-looking statements are based on current plans, estimates and projections, and therefore, you should not place too much reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. Please refer to **Forward-Looking Statements** and **Item 3 Key Information Risk Factors** for descriptions of some of the factors relevant to this discussion and other forward-looking statements in this Annual Report.

Management Overview

The Telecom Group ended the 2013 fiscal year in a solid financial situation as well as with a strong market position. The Telecom Group has continued to expand its Internet accesses base, reaching 1.7 million fixed Internet accesses, and its mobile subscribers base, reaching 22.5 million mobile subscribers (including Personal and Núcleo). To promote the expansion of business, total additions in PP&E and intangible assets amounted to P\$5,214 million in 2013, representing 19% of consolidated total revenues in 2013 (Our capital expenditures, total additions in PP&E and intangible assets less materials, amounted to P\$4,851 million in 2013, equivalent to 18% of consolidated revenues).

Telecom is considered one of the leading companies in the Argentine telecommunications sector. The Company has attained this position without neglecting its commitment to generate economic value for its shareholders, demonstrating good performance in terms of revenues and profitability. Telecom had consolidated net financial assets of P\$5,354 million as of December 31, 2013, compared to consolidated net financial assets of P\$3,648 million and P\$2,684 million as of December 31, 2012 and 2011, respectively. The strong cash flow generation has allowed Personal, Telecom Argentina and Núcleo to maintain the high level of capital expenditures and has allowed Telecom Argentina to distribute P\$1,000 million in cash dividends by disaffecting the Reserve for Future Cash Dividends constituted by the shareholders' meeting held on May 21, 2013 (second tranche), without incurring any financial indebtedness.

The following discussion and analysis summarizes relevant measures of results of operations presenting items by nature. The Company believes that the presentation of the measure operating income before depreciation and amortization provides investors and financial analysts with appropriate information that is relevant to understanding the Company's past, present and future performance. Moreover, operating income before depreciation and amortization is one of the key performance measures used by Telecom's Management for monitoring the Company's profitability and financial position, at each segment and at the consolidated levels.

Continuing the trend of prior years, revenues in 2013 grew by 23% compared to 2012, reaching P\$27,287 million, and grew by 20% in 2012 compared to 2011, reaching P\$22,117 million. Operating income before depreciation and amortization in 2013 increased P\$994 million as compared to 2012, reaching P\$7,564 million (equivalent to 28% of total revenues), while in 2012 it increased P\$577 million as compared to 2011, reaching P\$6,570 million (equivalent to 30% of total revenues). Operating income increased P\$552 million in 2013 as compared to 2012, reaching P\$4,518 million (equivalent to 17% of total revenues) while in 2012 it increased P\$109 million as compared to 2011, reaching P\$3,966 million (equivalent to 18% of total revenues). Net income increased P\$522 million in 2013 as compared to 2012, reaching P\$3,254 million (equivalent to 12% of total revenues), while it

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increased P\$190 million in 2012 as compared to 2011, reaching P\$2,732 million (equivalent to 12% of total revenues). Net income attributable to Telecom Argentina increased P\$517 million in 2013 as compared to 2012, reaching P\$3,202 million, while it increased P\$172 million in 2012 as compared to 2011, reaching P\$2,685 million.

Our results of operations continue to be affected by the Pesification and freeze of regulated rates in the Fixed Services segment and macroeconomic factors. For a discussion of these and other factors that may affect our results of operations. See Years ended December 31, 2013, 2012 and 2011 Factors Affecting Results of Operations and Trend Information below.

For a detailed analysis of our results of operations for fiscal year 2013, see Years ended December 31, 2013, 2012 and 2011 below.

Economic and Political Developments in Argentina

In the second half of 2001 and through the first half of 2002, Argentina experienced a deep economic recession together with an overwhelming financial and political crisis. The rapid and radical nature of changes in the Argentine social, political, economic and legal environment created a very unstable macroeconomic environment. In January 2002, the Argentine government abandoned the convertibility regime which had fixed the peso / U.S. dollar exchange rate at 1:1 and adopted emergency economic measures which converted and froze our rates for the voice-regulated services in the Fixed Services segment into pesos at a 1:1 peso / U.S. dollar ratio (referred to herein as Pesification), among other measures. Capital outflows increased sharply, leading to a massive devaluation of the peso and an upsurge in inflation. By the end of 2002, the peso had devalued by 237% (having devalued 280% as of June 30, 2002) while the wholesale price index increased 118% and the consumer price index increased 41%.

After the abovementioned crisis, the Argentine economy began a new period of rapid growth. Argentina's GDP increased for six consecutive years, from 2003 to 2008, at an average rate of 8.5%. However, the international financial crisis affected the country decreasing its growth rate significantly to 0.9% in 2009. Throughout 2010 and 2011, the economy showed a rapid and strong recovery growing at a 9.2% and 8.9% annual rate respectively, but in 2012 a slowdown affected the economy and growth was reduced to 1.9%. In 2013, better economic conditions helped to increase the economic activity. Inflation continued to be the main concern for the economy. According to official statistics reported by the INDEC, the consumer price index rose 10.9% in 2010, 9.5% in 2011, 10.8% in 2012 and 10.9% in 2013, while the wholesale price index increased 14.6% in 2010, 12.7% in 2011, 13.1% in 2012 and 14.8% in 2013. Nonetheless, since 2007, the public credibility of the INDEC as a reference for reporting Argentine economic statistics has been challenged. In January 2014, the government published a new CPI Index (IPCNu) that reached 7.2% for the first two months of the year. For further detail regarding Argentine economic conditions see Item 3 Key Information Risk Factors Risks Relating to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins.

During the period between 2005 and 2007, the peso remained relatively stable against the U.S. dollar, with US\$1.00 trading within a range of P\$2.86 to P\$3.16. However, the international financial crisis created uncertainty that affected the Argentine exchange rate, as reflected by a peso/dollar exchange rate increase of 9.5% and 10.1% per year in 2008 and 2009, respectively. The peso/dollar exchange rate was relatively stable in 2010 and 2011, ending 2010 at P\$3.98 per US\$1.00 and 2011 at P\$4.30 per US\$1.00, increasing 4.7% and 8.0% respectively. In 2012 and 2013, the pace of peso devaluation accelerated to 14.4% and 32.5% respectively; and the official exchange rate ended the year at a P\$6.52 per US\$1.00. During the first three months of 2014, the exchange rate of the Argentine peso suffered a devaluation of approximately 23% against the U.S. dollar. On April 11, 2014, the exchange rate was P\$8.00 = US\$1.00. Increasing restrictions on the foreign exchange (FX) market have been established, and an authorization from the AFIP (National Tax Authority) is required to access the FX market to acquire foreign currencies.

After a slowdown in the Argentine economy in 2012, a positive first half of 2013 with an improved agricultural production, nominal wage increases that helped sustain consumption trends and a more dynamic industry helped to increase the economic activity in 2013. The global economy showed some signs of recovery which fostered a better economic environment. Private consumption remained positive, although growing at a much slower pace. In the second half of the year, due to certain reduction on the industrial exports, the economic activity started showing some signs of deterioration, ending 2013 with an economic growth of 3.0% over 2012.

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The most important factors for the economy in 2013 can be summarized as follows:

The Brazilian economy returned to growth and drove industrial exports from Argentina. Similarly, stable agricultural commodity prices together with a better crop harvest were a key factor.

Private consumption and investment continued moving demand forward. Consumption was encouraged mainly by expansive fiscal policies and lax monetary policy that maintained real interest rates at low levels and promoted consumption. An upturn in the construction sector and increases in the import of capital assets helped to raise the level of investment. Inflation remained high and according to INDEC, the annual inflation as of December 2013 was 10.9%, which is substantially lower than private estimates.

Argentine international commerce expanded in 2013, due to higher levels of exports of 3%, amounting to US\$83.0 billion and increased imports of 8%, totaling US\$74.0 billion. As a result, the trade balance totaled US\$9.0 billion decreasing 27% over 2012. The improved agricultural production fostered exports, while industrial exports grew 3% year over year, mainly due to the demand from the Brazilian economy. The imports expansion is due to higher energy imports and the accelerated economic growth.

Expansive fiscal spending continued through 2013. Higher transfers to the provinces, public subsidies, and public social expenditures contributed to record high spending as a percent of GDP. Fiscal revenues expanded 26% over 2012, due to higher social security and value added tax collection. A significant portion of government revenues were obtained from transfers from the Central Bank and the National Pension Funds.

The official exchange rate accelerated through 2013 with a strong depreciation of the peso of 32.5%, ending 2013 at P\$6.52 per US\$1.00 dollar. In the second part of the year the BCRA intervened in the exchange market accelerating a nominal depreciation of the exchange rate. The government continued implementing measures to increase control over the exchange market, such as applying a 35% tax on the official FX rate to acquire foreign currency for tourism as a payment in advance of Income and Personal Asset taxes.

Monetary indicators continued to show signs of expansion; the monetary base rose 24% in 2013. This expansion was mainly driven by increasing assistance from the Central Bank to the National Treasury and partially offset by the Central Bank's sale of foreign currency. Private deposits in pesos rose 29% annually, helped by the growth in time deposits. As a result, interest rates on placements (Private Badlar rate) performed at an average rate of 17%. Meanwhile, loans granted in pesos continued expanding due to a low real interest rate that fostered lending, thus encouraging private consumption. Finally, international reserves totaled 30,599 million dollars as of December 31, 2013, a 35% year over year decrease.

The labor market was relatively stable despite a slowing economy, reaching an unemployment rate of 6.4% in the last quarter of 2013, a small decrease from the same quarter one year prior. Furthermore, salaries in nominal terms expanded 25.9% annually, as of December 2013.

According to public figures, the Gross National Public Debt amounted to US\$196 billion as of June 2013, which represented approximately 43.6% of Argentina's GDP. The holdouts situation has not been resolved and is subject to continued litigation, which is disturbing the normal access to the international financial markets and impacting sovereign risk. Nonetheless, Argentina holds a solid position in terms of public indebtedness; its level of debt to GDP is relatively low, and a significant amount is held by National Public Sector Agencies like ANSES. As a result, the portion of public debt exposed to market risk represents a minor portion of the total debt.

The Argentine economy faced many changes in 2013 and showed an increase in economic activity. Nevertheless certain economic variables deteriorated with an impact on the telecommunication sector.

As the substantial majority of our property and operations are located in Argentina, macroeconomic and political conditions will continue to affect us. The Argentine government has exercised and continues to exercise significant influence over many aspects of the Argentine economy. Accordingly, Argentine governmental actions concerning the economy could significantly

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affect private sector entities in general and our operations in particular, as well as affect market conditions, prices and returns on Argentine securities, including ours. While our business continued growing in 2013, our operating results, financial condition and cash flows remain vulnerable to fluctuations in the Argentine economy. See Item 3 Key Information Risk Factors Risks Relating to Argentina .

Critical Accounting Policies

Our Consolidated Financial Statements, prepared in accordance with IFRS, are dependent upon and sensitive to accounting methods, assumptions and estimates that we use as a basis for its preparation. We have identified critical accounting estimates and related assumptions and uncertainties inherent in our accounting policies (that are fully described in Note 3 to our Consolidated Financial Statements), which we believe are essential to an understanding of the underlying financial reporting risks. Additionally we have identified the effect that these accounting estimates, assumptions and uncertainties have on our Consolidated Financial Statements.

Use of estimates

IFRS involves the use of assumptions and estimates that may significantly affect the reported amounts of assets, liabilities and results of operations and any accompanying financial information.

Management considers financial projections in the preparation of the financial statements as further described below. These financial projections anticipate scenarios deemed both likely and conservative based upon macroeconomic, financial and industry-specific assumptions. However, actual results may differ significantly from such estimates.

Variations in the assumptions regarding exchange rates, rates of inflation, level of economic activity and consumption, creditworthiness of our current and potential customers, aggressiveness of our current or potential competitors and technological, legal or regulatory changes could also result in significant differences from financial projections used by us for valuation and disclosure of items under IFRS.

The most important accounting estimates, those which require a high degree of subjective assumptions and judgments, are the following:

Revenue recognition

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Telecom Group and their amount can be measured reliably. Revenues are stated net of estimated discounts and returns.

Revenues from upfront connection fees for fixed, data and Internet services that are non-separable from the service are accounted for as a single transaction and deferred over the term of the contract or, in the case of indefinite period contracts, over the average period of the customer relationship (approximately nine years for the fixed telephony customers). Therefore, these revenues are influenced by the estimated expected duration of customer relationships for indefinite period contracts.

Revenues are also subject to estimations of the traffic measures. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on the traffic and are accrued at the end of the month. In addition, revenues from unexpired prepaid calling cards are recognized on the basis of the minutes used, at the contract price per minute.

Changes in these estimations, if any, may require adjustments to recorded revenues.

PP&E and intangible assets

Useful lives and residual value

We record PP&E and intangible assets at acquisition or construction cost. PP&E and intangible assets, except for indefinite useful life intangibles, are depreciated or amortized on a straight-line basis over their estimated useful lives. The determination of the depreciable amount of the assets and their useful lives involves significant judgment. We periodically review, at least at each financial year-end, the estimated useful lives of its PP&E and amortizable intangible assets.

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At least at every annual closing date, we assess whenever events or changes in circumstances indicate that PP&E and amortizable intangible assets may be impaired.

Under IFRS, the carrying value of a long-lived asset is considered impaired by the Company when the recoverable amount of such asset is lower than its carrying value. In such event, a loss would be recognized based on the amount by which the carrying value exceeds the recoverable amount of the long-lived asset. The recoverable amount is the higher of the fair value (less costs to sell) and its value in use (present value of the future cash flows expected to be derived from the asset, group of assets or cash generating unit). Once an impairment loss is identified and recognized, future reversal of impairment loss is permitted only if the indicators of the impairment no longer exist or have decreased.

The identification of impairment indicators and the estimation of the value in use for assets (or groups of assets or cash generating units) require Management to make significant judgments concerning the validation of impairment indicators, expected cash flows and applicable discount rates. Estimated cash flows are based on significant Management's assumptions about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, capital cost, etc.

For the years presented, we estimated that there are no indicators of impairment of assets that are subject to amortization, except for those mentioned in Note 3.k to the Financial Statements for a total of P\$187 million.

However, changes in our current expectations and operating assumptions, including changes in our business strategy, technology, competition, changes in market conditions or regulations, and the outcome of the rates negotiations for regulated fixed services with the Argentine government, could significantly impact these judgments and could require future adjustments to the carrying amount of recorded assets.

Although there are no impairment indicators, Telecom Argentina's Management has analyzed the recoverability of its PP&E and intangible assets assuming different probable scenarios that contemplate the update of the regulated services rates. Considering these assumptions, the management of Telecom Argentina considers that the carrying amount of its fixed assets is recoverable.

Intangible assets with indefinite useful life PCS license

We determined that Personal's PCS license met the definition of an indefinite-lived intangible asset for the years presented. Therefore, Personal does not amortize the cost of its license. However, Personal tests it annually for impairment. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverability assessment of an indefinite-lived intangible asset such as the PCS license requires our Management to make assumptions about the future cash flows expected to be derived from such asset.

Such estimated cash flows are based on significant Management's assumptions about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, discount rate, etc.

Personal's net cash flows projection is denominated in Argentine Pesos, its functional currency. However, due to the fact that there is no prevailing long-term discount rate in pesos available in the market, Personal: (a) has converted such peso-denominated cash flows into U.S. dollars using future estimated exchange rates applicable to each period;

and (b) has discounted these U.S. dollar-denominated cash flows at an annual U.S. dollar rate of approximately 13% in order to obtain the recoverable value of intangible assets with indefinite useful life.

Through this evaluation, it was determined that the carrying amount of the PCS license did not exceed the recoverable amount of the asset. As a result, no impairment has been recognized.

Our judgments regarding future cash flows may change due to future market conditions, competition, business strategy, the evolution of technology, changes in regulations and other factors. These changes, if any, may require material adjustments to the carrying amount of the PCS license.

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We are required to estimate our income taxes (current and deferred) in each of the companies of the Telecom Group according to a reasonable interpretation of the tax law in effect in each jurisdiction where the companies operate. This process may involve complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized for all deductible temporary differences to the extent that future taxable income will be available against which they can be utilized. The measurement of the recoverability of deferred tax assets requires estimating future taxable income based on the Company's projections and takes into account conservative tax planning. If actual results differ from these estimates due to changes in tax authority's interpretations and the new fiscal jurisprudence, or we adjust those estimates in future periods, our financial position, results of operation and cash flows may be materially affected.

The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law as of the end of the reporting period and the effects of future changes in tax laws or rates are not anticipated.

Receivables and payables valued at amortized cost

Receivables and payables valued at amortized cost are initially recorded at their fair value, which is generally determined by using a discounted cash flow valuation method. The fair value under this method is estimated as the present value of all future cash flows discounted using an estimated discount rate, especially for long-term receivables and payables. The estimated discount rate used to determine the discounted cash flow of long-term receivables and payables is an annual rate in pesos ranging between 20% and 32% for year 2013. Additionally, the estimated discount rate used to determine the discounted cash flow of long-term receivables and payables is an annual rate in pesos ranging between 19% and 28% for years 2012 and 2011. The estimated discount rate used to determine the discounted cash flow of long-term receivables in U.S. dollars is an annual rate of 8% for years 2013, 2012 and 2011. The difference between the initial fair value and the nominal amount of receivables and payables is recognized as finance income or expense using the effective interest method over the relevant period.

Changes in these estimated discount rates could materially affect our financial position and results of operations.

Provisions

We are subject to proceedings, lawsuits and other claims related to labor, civil, tax, regulatory and other matters. In order to determine the proper level of provisions relating to these contingencies, we assess 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. We consult with internal and external legal counsel on these matters. A determination of the amount of provisions required, if any, is made after careful analysis of each individual issue. Our determination of the required provisions may change in the future due to new developments in each matter, changes in jurisprudential precedents and tribunal decisions or changes in our method of resolving such matters, such as changes in settlement strategy, and, therefore, these changes may materially affect our financial position and results of operations.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make the required payments. We base our estimates on the aging of our accounts receivable balances, our historical write-offs, customer creditworthiness and changes in our customer payment terms when evaluating the adequacy of our allowance for doubtful accounts. If the financial condition of our customers were to deteriorate, our actual write-offs could be higher than expected.

Years ended December 31, 2013, 2012 and 2011

For purposes of these sections, the fiscal years ended December 31, 2013, 2012 and 2011 are referred to as 2013, 2012 and 2011, respectively.

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Our results of operations are determined in accordance with IFRS. The Telecom Group provides customers with a broad range of telecommunication services. To fulfill its purpose, it conducts different activities that are distributed among the companies in the Group. Each company represents an operating segment. These operating segments have been aggregated into the following segments according to the nature of the products and services provided and economic characteristics:

Segment	Company of the Telecom Group / Operating Segment
Fixed Services	Telecom Argentina S.A.
	Telecom Argentina USA, Inc.
	Micro Sistemas S.A. (i)
Personal Mobile Services	Telecom Personal S.A.
	Springville S.A. (i) (ii)
Núcleo Mobile Services	Núcleo S.A.

- (i) Dormant entity as of and for the fiscal years ended December 31, 2013, 2012 and 2011.
(ii) The sale of all the shares of Springville, representing 100% of the capital and voting rights of that company, was approved by the Personal s meeting of the Board of Directors on February 10, 2014. The sale was completed on February 19, 2014.

The main products and services in each segment are:

Fixed Services: local area, national long-distance and international communications, supplementary services (including call waiting, itemized invoicing, voicemail, etc.), interconnection with other operators, data transmission (including private networks, point-to-point traffic, radio and TV signal transmission), Internet services (Broadband and Arnet Mobile), IT solution outsourcing and sales of equipment.

Personal Mobile Services and Núcleo Mobile Services: voice communications, GSM and 3G mobile communications over UMTS / HSPA / HSPA+ networks (including high-speed mobile Internet content and applications download, multimedia messaging, online streaming, corporate e-mail, social network access and contacts save services) and sale of mobile communication devices (handsets, 3G modems and tablets).

The following table shows a breakdown of our revenues by business segment for the years ended December 31, 2013, 2012 and 2011:

2013**2012****2011**

Segment	% of		% of		% of	
	Revenues(1) (P\$ million)	Consolidated Revenues	Revenues(1) (P\$ million)	Consolidated Revenues	Revenues(1) (P\$ million)	Consolidated Revenues
Fixed Services	7,006	25.7	6,023	27.2	5,329	28.8
Personal Mobile Services	19,129	70.1	15,227	68.9	12,455	67.3
Núcleo Mobile Services	1,152	4.2	867	3.9	714	3.9
TOTAL	27,287	100.0	22,117	100.0	18,498	100.0

(1) Includes service revenues and equipment sales and the effect of elimination of intersegment transactions. Management's explanations under (B) Results of Operations by Segment below regarding changes in financial condition and results of operations for years 2013, 2012 and 2011 related to segments of the Company have been provided based on financial information under IFRS as disclosed in Note 28 to our Consolidated Financial Statements.

Factors Affecting Results of Operations

Described below are certain factors that may be helpful in understanding our operating results. These factors are based on the information currently available to our Management and may not represent all of the factors that are relevant to an understanding of our current or future results of operations. Additional information regarding trends expected to influence our results of operations are analyzed below under Trend Information.

Impact of Political and Economic Environment in Argentina. Levels of economic activity affect our customers consumption of local and long-distance traffic, the demand for new fixed lines, Broadband and mobile services and the levels of uncollectible accounts and disconnections. Demand for our services and the amount of revenues we collect is also affected by inflation, exchange rate variations and the rate of unemployment, among others. The same factors, but to a lesser degree, affect the activity of Núcleo, that operates in Paraguay.

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Rate Regulation. Revenue from our Fixed Services segment will depend principally on the number of lines in service, the minutes of use or traffic for local and long-distance services and the rates charged for services. The rates that Telecom Argentina charges in its fixed telephony service (including both monthly basic charges and measured service charges), installation charges, public telephone charges and charges for Internet Dial-Up traffic (Regulated Services) are subject to regulation. These rates were pesified and rate increases were frozen by the Argentine government in 2002. Telecom Argentina has been in discussions with regulators with respect to rate adjustments and, on March 6, 2006, Telecom Argentina signed the Letter of Understanding 2006 with the Argentine government which permits Telecom Argentina to raise certain of its regulated rates. However, the agreement is still subject to the implementation of certain administrative steps and the pending approval by the legislative branch. Although the Company s Management expects that the contract renegotiation process will be satisfactorily completed, to date there is no certainty regarding either the outcome of the negotiations or the timing of such outcome. The impact of the rates Pesification on Telecom Argentina s results of operations has been particularly relevant in recent years as a result of inflationary pressures on Telecom Argentina s costs structure. See Item 3 Key Information Risk Factors and Economic and Political Developments in Argentina.

The mobile business is not a rate-regulated industry. However, certain social or political factors could negatively affect rate adjustments, thus delaying their application to set-off the cost increases and higher capital expenditures that are required to maintain the quality of services. See Item 3 Key Information Risk Factors Risks associated with Telecom and its operations.

Competition. The Argentine telecommunications market has become increasingly competitive. Competition is mainly focused on Internet and mobile services. To remain competitive, we must devote significant resources to capital expenditures, and trade expenses (including selling commissions).

Personal and Núcleo subscribers bases are expected to continue expanding in 2014 although at lower rates than those of recent years. Value Added Services, especially mobile Internet, will continue to be one of the main drivers of revenue growth in the mobile services business.

Technology Developments and Capital Expenditures. Improvements in technology influence demand for services and equipment by our customers. For example, demand for fixed-line telecommunications services has been affected by continued significant growth in mobile business. Growth in the fixed-services business at present is being driven by the expansion of Broadband for individuals and corporations and Telecom Argentina continuous updating of commercial and support systems. The increase in Broadband adoption has also proven to be a critical factor in facilitating the offering of Value Added Services to customers and the bundling of services. In the fixed-services business, we must invest in our fixed-line network and information technology. Specifically, in Internet services, we must constantly upgrade our access technology and software, embrace emerging transmission technologies and improve the responsiveness, functionality, coverage and features of our services.

In the mobile business, to provide its subscribers with new and better services, Personal has to enhance its mobile networks extending 3G and HSPA+ technology and bandwidth for mobile data transmission.

In addition, as new technologies develop, equipment may need to be replaced or upgraded and network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures.

Devaluation of the peso. The peso has been subject to significant devaluations in the past and may be subject to fluctuation in the future. In the three months ended March 31, 2014, there was a significant devaluation which

amounted to approximately 23%. The majority of our revenues are received in pesos whereas a portion of the materials and supplies related to the construction and maintenance of our networks and services are incurred in foreign currencies. Consequently, the Pesification of our regulated rates in the fixed services and the high level of competition limit our ability to transfer to our customers the fluctuations in the exchange rates between the peso and the U.S. dollar and other currencies. In addition, any devaluation of the peso against foreign currencies may increase operating costs and capital expenditures, which will adversely affect our results of operations, considering the net effect on revenues and costs.

Increase in inflation. In the past, Argentina has experienced periods of high inflation. In recent years, inflation levels have been increasing and have remained relatively high. The economic recovery, a higher increase in public spending or a fast devaluation of the Argentine peso could lead to higher inflation. Any increase in inflation levels not accompanied by an increase in the rates we charge our customers could adversely affect our results of operations in nominal and real terms.

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Tax pressures and litigation. Local municipalities in the regions where we operate have introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed-line and mobile networks. Local and federal tax authorities have brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. Also, jurisprudential changes in labor and pension matters have generated higher claims from employees and former employees and also increased claims from employees of a contractor or subcontractor alleging joint liability. We cannot assure you that the laws and regulations currently governing the economy or the telecommunications industry will not change, that the claims will be resolved in our favor, or that any changes to the existing laws and regulations will not adversely affect our business, financial condition, results of operations and cash flows as well.

(A) Consolidated Results of Operations

In the year ended December 31, 2013, we reported net income of P\$3,254 million, compared to net income of P\$2,732 million for the year ended December 31, 2012, and net income of P\$2,542 million for the year ended December 31, 2011. Net income attributable to Telecom Argentina increased P\$517 million in 2013 as compared to 2012, reaching P\$3,202 million, while it increased P\$172 million in 2012 as compared to 2011, reaching P\$2,685 million, from P\$2,513 in 2011.

Consolidated revenues in 2013 were P\$27,287 million compared to P\$22,117 million in 2012 and P\$18,498 million in 2011. The increase of P\$5,170 million in 2013 (a 23% increase) can be largely attributed to the growth in the Personal Mobile Services segment including handset revenues and in Internet and Data services included in the Fixed Services segment.

In 2013, operating expenses (including depreciation and amortization and gain on disposal of PP&E and impairment of PP&E) totaled P\$22,832 million, representing an increase of P\$4,602 million, or 25%. The most significant changes in operating expenses included increases in employee benefit expenses and severance payments, taxes and fees with the Regulatory Authority (mainly caused by the increase in revenues and higher average rates of the turnover tax in the City of Buenos Aires, Córdoba, Chaco, Jujuy and Mendoza), cost of equipment and handsets (due to customer upgrade of mobile handsets), in fees for services, maintenance, materials and supplies, the increase in cost of VAS, provisions (due to higher regulatory and municipal claims and higher civil and commercial claims) and an impairment loss of P\$187 million recognized in 2013.

In 2012, operating expenses (including depreciation and amortization and gain on disposal of PP&E and impairment of PP&E) totaled P\$18,230 million, representing an increase of P\$3,559 million, or 24% compared to 2011. The most significant changes in operating expenses included increases in employee benefit expenses and severance payments, taxes and fees with the Regulatory Authority (mainly caused by the increase in revenues), cost of equipment and handsets (due to an expansion of the subscriber base and customer upgrade of mobile handsets), commissions (as a result of the increase in prepaid subscriber base), cost of VAS and fees for services, maintenance, materials and supplies (attributable to increased service costs related to call centers, higher supplies consumption and the effect of inflation on prices).

Our regulated fixed telephony service (8% of the consolidated revenue in 2013 vs. 10% in 2012) is still affected by the Pesification and freezing of regulated rates in early 2002; as a result, the increase in the 2013 structure of operating expenses for the Fixed Services segment (20%) is higher than the increase in revenues including intersegment revenues (17%).

Since fiscal year 2012, the Company's Management has changed the calculation method of the Operating income before Depreciation and Amortization by not considering within it the Gain on disposal of PP&E previously disclosed

within the line Revenues and other income and from fiscal year 2012 are shown below Operating income before Depreciation and Amortization, as part of Operating income. Accordingly, comparative figures for the year ended December 31, 2011 have been adapted in the consolidated income statements.

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	Years Ended December 31,				Change by segment (1)		
	2013 (P\$ million)	2012 (P\$ million)	Total Change %		Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services
Revenues	27,287	22,117	23	5,170	983	3,902	285
Other Income	63	79	(20)	(16)	(42)	20	6
Operating expenses (without depreciation and amortization)	(19,786)	(15,626)	27	(4,160)	(1,058)	(2,911)	(191)
Operating income before depreciation and amortization (2)	7,564	6,570	15	994	(117)	1,011	100
Depreciation and amortization	(2,873)	(2,612)	10	(261)	(90)	(102)	(69)
Gain on disposal of PP&E and impairment of PP&E	(173)	8	n/a	(181)	(113)	(69)	1
Operating income	4,518	3,966	14	552	(320)	840	32
Financial results, net	528	229	131	299	142	167	(10)
Income tax expense	(1,792)	(1,463)	22	(329)	(24)	(302)	(3)
Net income	3,254	2,732	19	522	(202)	705	19
Net income attributable to:							
<i>Telecom Argentina (Controlling Company)</i>	3,202	2,685	19	517			
<i>Noncontrolling interest</i>	52	47	11	5			

(1) Includes the effect of eliminations of Intersegment transactions.

(2) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Revenues

During 2013, total consolidated revenues increased by 23% to P\$27,287 million from P\$22,117 million in 2012, mainly driven by our mobile, Broadband and data transmission businesses.

	Years Ended December 31,				Change by segment(1)		
	2013 (P\$ million)	2012 (P\$ million)	Total Change %		Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services
Voice	10,645	9,927	7	718	228	404	86
Data	8,488	6,767	25	1,721	228	1,447	46

Internet	4,879	3,395	44	1,484	528	840	116
Service Revenues	24,012	20,089	20	3,923	984	2,691	248
Equipment (2)	3,275	2,028	61	1,247	(1)	1,211	37
Revenues	27,287	22,117	23	5,170	983	3,902	285

(1) Net of the Intersegment revenues effect.

(2) This item is composed of voice, data and Internet equipment in each year.

Consolidated revenues for 2013 and 2012 are comprised as follows:

Voice

Revenues from voice services increased 7% to P\$10,645 million in 2013 from P\$9,927 million in 2012. Such increase is largely due to a growth in the mobile subscriber base, as well as an increase in monthly charges for our services in the Personal Mobile Services segment. Revenues from voice services represented 39% of our total consolidated revenues for 2013 compared to 45% of our total consolidated revenues for 2012.

Table of Contents*Fixed services*

Revenues from voice services represented 49% of our total Fixed Services segment revenues attributable to third parties for 2013 compared to 53% for 2012.

Voice services mainly include revenues from monthly basic charges, charges for supplementary services, measured service (national and international calls) and public telephone service. Charges for supplementary services include call waiting, call forwarding, three-way calling, caller ID, direct inwards dialing, toll-free service and voicemail, among others. Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. They also include interconnection services (which primarily include access, termination and long-distance transport of calls), international long-distance service (which reflect payments made under bilateral agreements between Telecom Argentina and foreign telecommunications carriers covering inbound international long-distance calls) and revenues related to billing and collection services charged to other operators.

Revenues from voice-retail increased 7% to P\$2,656 million and are still affected by the Pesification and freezing of regulated rates in early 2002. Revenues from regulated rate services represented 33% of our total segment revenues in 2013 compared with a 36% in 2012. See (B) Results of Operations by Segment (B.1) Fixed Services Segment Revenues Voice-Retail for a description of the services included as voice-retail.

Monthly basic charges and supplementary services increased P\$89 million or 9% to P\$1,121 million in 2013 from P\$1,032 million in 2012. Such growth was due to the increase of prices of non-regulated services and the increase in the subscriber base during the year.

Measured service charges increased 7% to P\$1,395 million in 2013 from P\$1,306 million in 2012. Such increase was due to the effect of the flat rate packs. This increase is mainly explained by the increase in revenues from local and domestic long distance plans.

Voice-wholesale revenues (including fixed and mobile interconnection revenues, together with the revenues generated by the subsidiary Telecom Argentina USA amounting to P\$70 million) amounted to P\$786 million (+6% vs. 2012).

Interconnection services increased 6% to P\$547 million in 2013 from P\$516 million in 2012. Other wholesale revenues reached P\$239 million in 2013 and P\$223 million in 2012.

Personal Mobile services

Revenues from voice services represented 35% of our total Personal Mobile Services segment revenues attributable to third parties for 2013 compared to 41% for 2012.

Voice services mainly include revenues from monthly basic charges, airtime usage charges and roaming charges to our customers for their use of our and other carriers' networks, CPP, TLRD and roaming charges to other mobile service providers whose customers use our network.

Voice-retail revenues reached P\$4,773 million in 2013 (+7% vs. 2012). The increase was mainly due to increase in monthly charges prices and an increase in the subscriber base especially in prepaid and Cuentas Claras subscribers.

Voice-wholesale revenues reached P\$1,930 million in 2013 (+5% vs. 2012). The increase was mainly due to higher traffic with mobile operators (TLRD) and an increase in roaming revenues and to the increase of mobile leases,

mainly due to new agreements and to the renegotiation of the existing ones.

In Núcleo Mobile Services segment, voice revenues increased 21% to P\$500 million in 2013 compared to P\$414 million in 2012 mainly due to an increase in the subscriber base (+5.2%) and to the appreciation of the Guaraní with respect to the Argentine peso (+33% inter-annual).

Data and Internet

Revenues from data and Internet services increased 32% to P\$13,367 million in 2013 from P\$10,162 million in 2012. Revenues from data and Internet represented 49% of our total consolidated revenues for 2013 compared to 46% of our total consolidated revenues for 2012.

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In the Mobile Services segments, data and Internet services mainly include SMS, contents via SMS, MMS, Browsing and Internet. Revenues from data and Internet in the Personal Mobile segment increased 33% to P\$9,300 million in 2013 from P\$7,013 million in 2012.

As a consequence of the increase in the usage of VAS (Internet and data), the ARPU increased to P\$66.8 per month in 2013 (vs. P\$57.7 per month in 2012).

Data

Revenues from data services in the Fixed segment increased 31% to P\$963 million in 2013 from P\$735 million in 2012, 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 an increase in Integra and VPN IP services, to the increase in the IP traffic in the wholesale segment; and to the increase in the monthly charges and transmission Datacenter services (especially in *hosting* and *housing* monthly charges, and Value Added Services transmission). The majority of our revenues from data transmission services is denominated in U.S. dollars and, consequently, in 2013 and 2012, was affected by the fluctuations in the exchange rate between the peso and the U.S. dollar resulting in an increase in data transmission revenues.

Mobile data revenues reached P\$7,212 (+25% vs. 2012). This increase is mainly due to constant SMS sales increase as a result of several campaigns launched by Personal and especially due to the increase in revenues from the sale of contents via SMS, both in prepaid or postpaid customers.

Internet

Internet revenues in the Fixed segment increased 26% to P\$2,521 million in 2013 from P\$1,993 million in 2012. The increase was mainly due to the substantial expansion of the Broadband service (+5% of customers vs. 2012), an increase in average prices resulting in an improvement in the ARPU amounted to P\$124.7 per month in 2013 vs. P\$102.3 per month in 2012. As of December 31, 2013 the number of Internet accesses reached approximately 1.7 million equivalent to 41% of fixed lines in service of Telecom Argentina (vs. 39% in 2012), compared to 1.6 million as of December 31, 2012, an increase of 5%.

Mobile Internet revenues in the Personal Mobile segment increased 67% to P\$2,088 million in 2013 from P\$1,248 million in 2012. Such increases were mainly due to new subscribers, and the migration of existing ones to higher-value plans, partially offset by the revenues decrease generated by the decrease of Mobile Internet subscribers.

Equipment

Revenues from equipment increased by 61% to P\$3,275 million in 2013 from P\$2,028 million in 2012. This increase was due to a mix between the increase in the average price of the handsets of 72% and the decrease of 5% in the handsets sold by Personal. This situation was mainly generated by a subsidy reduction policy, the increase in average prices related to higher-value handsets demand, the business strategy to attract high-value subscribers, a decrease in discounts as a result of the finalization of commercial promotions and lower retail revenues.

Other Income

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided. During 2013, other income decreased 20% to P\$63 million from P\$79 million in 2012, mainly due to a decrease in indemnities collected from suppliers.

Operating expenses (without depreciation and amortization)

Total operating expenses (without depreciation and amortization and gain on disposal and impairment of PP&E) increased by P\$4,160 million totaling P\$19,786 million in 2013, representing a 27% increase as compared to 2012. The increase was mainly due to increases in employee benefit expenses and severance payments, cost of VAS, fees for services, maintenance, materials and supplies, taxes and fees with the Regulatory Authority, commissions, and cost of equipment and handsets.

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	Years Ended December 31,		Change by segment(1)				
	2013 (P\$ million)	2012	Total Change %		Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services
Employee benefit expenses and severance payments	4,152	3,269	27	883	611	252	20
Interconnection costs and other telecommunications charges	1,829	1,707	7	122	21	60	41
Fees for services, maintenance, materials and supplies	2,641	2,109	25	532	176	334	22
Taxes and fees with the Regulatory Authority	2,689	2,018	33	671	129	534	8
Commissions	2,203	1,949	13	254	8	226	20
Cost of equipment and handsets	3,111	2,043	52	1,068	30	992	46
Cost of VAS	708	326	117	382	2	371	9
Advertising	656	660	(1)	(4)	(12)	6	2
Provisions	270	153	76	117	80	36	1
Bad-debt expense	283	275	3	8	2	3	3
Restructuring Costs (recovery)	(8)	90	n/a	(98)	(91)	(7)	
Other operating expenses	1,252	1,027	22	225	102	104	19
Total operating expenses (without depreciation and amortization)	19,786	15,626	27	4,160	1,058	2,911	191

(1) Net of the Intersegment transactions effect.

Employee benefit expenses and severance payments

During 2013, employee benefit expenses and severance payments were P\$4,152 million, representing a 27% increase from 2012. This was primarily due to salary increases that Telecom implemented across all segments.

With a total headcount of 16,581 at the end of 2013 (-1% vs. 2012), lines in service per employee reached 375 in the Fixed Services segment (slightly higher than 2012), 3,897 in the Personal mobile services segment (+8% vs. 2012) and 5,696 in the Núcleo mobile services segment (+9% vs. 2012).

Interconnection costs and other telecommunications charges

Interconnection costs and other telecommunications charges includes interconnection costs, lease of circuits and costs of international outbound calls, which reflect payments made under bilateral agreements between Telecom Argentina and international carriers in connection with outgoing calls made by our customers. Additionally, the cost of roaming and TLRD is included in the Mobile Services segments. In 2013, interconnection costs and other telecommunications charges amounted to P\$1,829 million compared with P\$1,707 million in 2012. The increase was mainly due to higher traffic volume in the domestic market.

Fees for services, maintenance, materials and supplies

Expenses related to fees for services, maintenance, materials and supplies increased 25% to P\$2,641 million in 2013 from P\$2,109 million in 2012. This increase was mainly due to higher maintenance costs of radio bases, systems and

buildings in the mobile services segments, as a result of an increase in technical assistance cost of radio bases, higher maintenance costs of licenses and higher costs of building maintenance, and to higher fees for services related to call centers (a P\$98 million increase from 2012 to 2013).

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Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority (including turnover tax, IDC, municipal and other taxes) increased 33% to P\$2,689 million in 2013 from P\$2,018 million in 2012, mainly due to charges of turnover tax (P\$413 million increase from 2012 to 2013 due to an increase in revenues during 2013 and higher average rates of the turnover tax in Autonomía City of Buenos Aires, Córdoba, Chaco, Jujuy and Mendoza) and from taxes with the Regulatory Authority (an increase of P\$120 million from 2012) as a result of the increase in revenues during 2013 .

Commissions

Commissions increased by P\$254 million, or 13%, to P\$2,203 million in 2013 from P\$1,949 million in 2012. The increase was mainly due to higher commissions related to commercial agents associated with increased revenues because of major acquisition and retention costs, higher card sales, and prepaid recharges and collections.

Commissions are net of agent commissions capitalized as SAC, which totaled P\$551 million (+P\$237 million or 75% vs. 2012), and are 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

During 2013, the cost of equipment and handsets increased to P\$3,111 million from P\$2,043 million in 2012, representing a 52% increase. This increase was mainly due to the increase in costs of mobile handsets in both Mobile Services segments of P\$1,038 million, as a consequence of higher average unit cost of sales (+72% vs. 2012) offset by a decrease in the number of handsets sold (-5% vs. 2012).

Cost of equipment and handsets are net of costs capitalized as SAC (P\$255 million in 2013, P\$208 million or 45% lower than 2012).

Cost of VAS

Cost of VAS amounted to P\$708 million (+P\$382 million vs. 2012), 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 especially due to the increase in revenues from the sale of contents via SMS.

Advertising

Costs related to advertising decreased by P\$4 million, or 1%, to P\$656 million in 2013, due to a reduction in advertising Personal and Arnet s campaigns.

Provisions

During 2013, we recorded P\$270 million in provisions compared to P\$153 million recorded in 2012, representing a 76% increase. The increase in 2013 was mainly due to an increase in regulatory tax proceedings amounting to P\$84 million and an increase in civil and commercial proceedings amounting to P\$62 million, partially offset by a decrease in labor claims amounting to P\$29 million.

Bad Debt Expense

In 2013, bad debt expense amounted to P\$283 million, an increase of 3% as compared to 2012, representing 1% and 1.2% of consolidated revenues in 2013 and 2012, respectively. The increase was mainly due to higher aging of the accounts receivables, mainly in voice-retail customers in the Núcleo Mobile Services segment.

Restructuring Costs/ Recovery

In the last quarter of 2012 the Company's Management decided to implement a restructuring plan aimed at improving the efficiency of the Telecom Group's organizational structure. This plan contemplates the removal and / or merger of management structures in various areas of Telecom Argentina and Personal. The plan involves the dismissal of about 90 employees with a total estimated cost of P\$90 million. The recovery of these costs in 2013 amounts to P\$8 million as a consequence of the end of the restructuring Plan in June, 2013.

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Other operating expenses, which include transportation costs, energy and rentals, among others, increased 22% to P\$1,252 million in 2013 from P\$1,027 million in 2012 primarily as a result of an increase in prices on related services and an increase in rent prices because of new and renegotiated rental contracts.

For a further breakdown of our consolidated operating expenses, see [Results of Operations by Segment](#) below.

Operating income before depreciation and amortization

Our consolidated operating income before depreciation and amortization was P\$7,564 million in 2013, representing an increase of P\$994 million or 15% from P\$6,570 million in 2012. It represented 28% and 30% of total consolidated revenues, respectively. This growth was mainly fueled by the Personal Mobile Services segment.

Depreciation and Amortization

Depreciation of PP&E and amortization of intangible assets increased by P\$261 million, or 10%, to P\$2,873 million during 2013. The increase in PP&E depreciation reached P\$191 million, in amortization of SAC and Service connection or habilitation costs totaled P\$70 million and in amortization of other intangible assets remains the same as in 2012.

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

The gain on disposal of PP&E amounted to P\$14 million, an increase of P\$6 million vs. 2012 and mainly corresponds to the Fixed Services segment. Impairment of PP&E amounted to P\$187 million in 2013 and is mainly related to the discontinuation of commercial systems of Personal, amounting to P\$65 million and to the impairment of certain PP&E items related to some projects undertaken by Telecom Argentina with the public sector and the private sector that present uncertainty regarding their development and future associated cash flows, amounting to P\$122 million.

Operating income

During 2013, consolidated operating income was P\$4,518 million, representing an increase of P\$552 million or 14% from 2012. Operating income represented 17% of consolidated revenues in 2013 versus 18% in 2012. The decrease in the margin was mainly due to the increase of operating expenses (including depreciation and amortization and gain on disposal of PP&E and impairment of PP&E) of 25% partially offset by the increase in revenues of 23%.

	Years Ended December 31,		% of Change 2013-2012 Increase/(Decrease)
	2013 (P\$ million / %)	2012	
Operating income before depreciation and amortization (1)	7,564	6,570	15
<i>As % of revenues</i>	28	30	
Depreciation and amortization	(2,873)	(2,612)	10
<i>As % of revenues</i>	(11)	(12)	
Gain on disposal of PP&E and impairment of PP&E	(173)	8	n/a

Operating income	4,518	3,966	14
<i>As % of revenues</i>	<i>17</i>	<i>18</i>	

- (1) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

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During 2013, Telecom recorded a net financial gain of P\$528 million compared to a net financial gain of P\$229 million in 2012. This was mainly due to higher gains from financial interest on time deposits (including interest on loans given to related parties) and other investments (+P\$364 million vs. 2012), higher gains on mutual funds (+P\$69 million vs. 2012), higher gains on Financial derivatives (+P\$55 million vs. 2012), and higher interests on receivables (+P\$35 million vs. 2012), partially offset by a higher foreign currency exchange loss of P\$233 million.

Income tax expense

The Company's income tax charge includes three effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) the analysis of recoverability of deferred tax assets.

(i) Regarding current tax expenses, Telecom Argentina, Telecom Argentina USA, Personal and Núcleo generated tax profit in fiscal year 2013, resulting in an income tax payable of P\$1,956 million (including fiscal year 2012 return adjustment of P\$3 million) versus P\$1,522 million in 2012. Fixed Segment income tax expense assessed in 2013 amounted to P\$344 million as compared to P\$312 million in 2012; Personal's, in 2013, amounted to P\$1,588 million compared to P\$1,187 million in 2012; and Núcleo's, in 2013, amounted to P\$24 million compared to P\$23 million in 2012.

(ii) Regarding the deferred tax, in 2013 and 2012, the Fixed Segment recorded a deferred tax benefit of P\$47 million and P\$39 million, respectively; Personal recorded a deferred tax benefit of P\$120 million and P\$20 million in 2013 and 2012, respectively; and Núcleo generated a P\$1 million and P\$3 million gain in 2013 and 2012, totaling P\$168 million and P\$62 million of deferred tax benefit in 2013 and 2012, respectively. The gain in 2013 was mainly generated by the tax effects of temporary differences related to PP&E and intangible assets, inventories and provisions.

(iii) Regarding the analysis of recoverability of deferred tax assets, Personal recorded a valuation allowance for deferred tax assets of P\$4 million and P\$3 million in 2013 and 2012, respectively, while no charges were recorded for Telecom Argentina, Telecom Argentina USA and Núcleo in those years.

Net income

For 2013, we recorded net income of P\$3,254 million (12% of total consolidated revenues), of which P\$3,202 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$538 million, the Personal Mobile Services segment accounted for a P\$2,556 million gain and the Núcleo Mobile Services segment accounted for a gain of P\$160 million, representing 7%, 13% and 14% of the total segment revenues, respectively.

For 2012, we recorded net income of P\$2,732 million (12% of total consolidated revenues), of which P\$2,685 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$502 million, the Personal Mobile Services segment accounted for a P\$2,085 million gain and the Núcleo Mobile Services segment accounted for a gain of P\$145 million, representing 7%, 14% and 17% of the total segment revenues, respectively.

Table of Contents**A.2) 2012 Compared to 2011**

	Years Ended December 31,		Total Change %		Change by segment(1)		
	2012 (P\$ million)	2011 (P\$ million)			Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services
Revenues	22,117	18,498	20	3,619	694	2,772	153
Other Income	79	30	163	49	55	(6)	
Operating expenses (without depreciation and amortization)	(15,626)	(12,535)	25	(3,091)	(860)	(2,146)	(85)
Operating income before depreciation and amortization(2)	6,570	5,993	10	577	(111)	620	68
Depreciation and amortization	(2,612)	(2,158)	21	(454)	(111)	(336)	(7)
Gain on disposal of PP&E	8	22	(64)	(14)	(13)	(1)	
Operating income	3,966	3,857	3	109	(235)	283	61
Financial results, net	229	80	186	149	83	64	2
Income tax expense	(1,463)	(1,395)	5	(68)	5	(67)	(6)
Net income	2,732	2,542	7	190	(147)	280	57
Net income attributable to:							
<i>Telecom Argentina (Controlling Company)</i>	2,685	2,513	7	172			
<i>Noncontrolling interest</i>	47	29	62	18			

(1) Includes the effect of eliminations of Intersegment transactions.

(2) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Revenues

During 2012, total consolidated revenues increased by 20% to P\$22,117 million from P\$18,498 million in 2011, mainly driven by our mobile, Broadband and data transmission businesses.

Consolidated revenues for 2012 and 2011 are comprised as follows:

	Years Ended December 31,		Total Change %		Change by segment(1)		
	2012 (P\$ million)	2011 (P\$ million)			Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services
Voice	9,927	9,184	8	743	110	572	61
Data	6,767	5,316	27	1,451	152	1,283	16

Internet	3,395	2,411	41	984	440	474	70
Service Revenues	20,089	16,911	19	3,178	702	2,329	147
Equipment(2)	2,028	1,587	28	441	(8)	443	6
Revenues	22,117	18,498	20	3,619	694	2,772	153

(1) Net of the Intersegment revenues effect.

(2) This item is composed of voice, data and Internet equipment in each year.

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Revenues from voice services increased 8% to P\$9,927 million in 2012 from P\$9,184 million in 2011. Such increase is largely due to a growth in the mobile subscriber base, as well as an increase in the prices of our services in the Personal Mobile Services segment. Revenues from voice services represented 45% of our total consolidated revenues for 2012 compared to 50% of our total consolidated revenues for 2011.

Fixed services

Revenues from voice services represented 53% of our total Fixed Services segment revenues attributable to third parties for 2012 compared to 58% for 2011.

Voice services mainly include revenues from monthly basic charges, charges for supplementary services, measured service (national and international calls) and public telephone service. Charges for supplementary services include call waiting, call forwarding, three-way calling, caller ID, direct inwards dialing, toll-free service and voicemail, among others. Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. They also include interconnection services (which primarily include access, termination and long-distance transport of calls), international long-distance service (which reflect payments made under bilateral agreements between Telecom Argentina and foreign telecommunications carriers covering inbound international long-distance calls) and revenues related to billing and collection services charged to other operators.

Revenues from voice-retail increased 5% to P\$2,475 million and were still affected by the Pesification and freezing of regulated rates in early 2002. Revenues from regulated rate services represented 36% of our total segment revenues in 2012 compared with a 41% in 2011. See (B) Results of Operations by Segment (B.1) Fixed Services Segment Revenues Voice-Retail for a description of the services included as voice-retail.

Monthly basic charges and supplementary services increased P\$75 million or 8% to P\$1,032 million in 2012 from P\$957 million in 2011. Such growth was due to the increase of non-regulated services during the period.

Measured service charges increased 5% to P\$1,306 million in 2012 from P\$1,242 million in 2011. Such increase was due to the effect of the flat rate packs. In relative terms, revenues from local measured service increased 6% vs. 2011 and domestic long distance increased 5% vs. 2011.

Voice-wholesale revenues (including fixed and mobile interconnection revenues, together with the revenues generated by the subsidiary Telecom Argentina USA amounting to P\$43 million) amounted to P\$739 million (-1% vs. 2011).

Interconnection services decreased 2% to P\$516 million in 2012 from P\$525 million in 2011. Other wholesale revenues reached P\$223 million in 2012 and P\$222 million in 2011.

Personal Mobile services

Revenues from voice services represented 41% of our total Personal Mobile Services segment revenues attributable to third parties for 2012 compared to 46% for 2011.

Voice services mainly include revenues from monthly basic charges, airtime usage charges and roaming charges to our customers for their use of our and other carriers' networks, CPP, TLRD and roaming charges to other mobile service providers whose customers use our network.

Voice-retail revenues reached P\$4,461 million in 2012 (+11% vs. 2011). The increase was mainly due to increase in prices and an increase in the subscriber base.

Voice-wholesale revenues reached P\$1,838 million in 2012 (+6% vs. 2011). The increase was mainly due to higher traffic with mobile operators (TLRD) and an increase in roaming revenues, also due to higher traffic.

In Núcleo Mobile Services segment, voice revenues increased 17% to P\$414 million in 2012 compared to P\$353 million in 2011 mainly due to an increase in the subscriber base.

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Data and Internet

Revenues from data and Internet services increased 32% to P\$10,162 million in 2012 from P\$7,727 million in 2011. Revenues from data and Internet represented 46% of our total consolidated revenues for 2012 compared to 42% of our total consolidated revenues for 2011.

In the Mobile Services segments, data and Internet services mainly include SMS, contents via SMS, MMS, Browsing and Internet. Revenues from data and Internet in the Personal Mobile segment increased 33% to P\$7,013 million in 2012 from P\$5,256 million in 2011.

As a consequence of the voice traffic increase, the usage of VAS (Internet and data) and the prices increase implemented in 2012, the ARPU increased to P\$57.7 per month in 2012 (vs. P\$51.4 per month in 2011).

Data

Revenues from data services in the Fixed segment increased 26% to P\$735 million in 2012 from P\$583 million in 2011, 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 an increase in virtual private network services (private data network services replacing the point-to-point service), leases of circuits, dedicated lines and the growth in data center services. The majority of our revenues from data transmission services is denominated in U.S. dollars and, consequently, in 2012 and 2011, was affected by the fluctuations in the exchange rate between the peso and the U.S. dollar resulting in an increase in data transmission revenues.

Mobile data revenues reached P\$5,765 million (+29% vs. 2011). This increase is mainly due to the SMS traffic performance, related to the increase in the subscriber base and higher prices of this service, both in prepaid or postpaid customers.

Internet

Internet revenues in the Fixed segment increased 28% to P\$1,993 million in 2012 from P\$1,553 million in 2011. The increase was mainly due to the substantial expansion of the Broadband service (+5% of customers vs. 2011), an increase in average prices resulting in an improvement in the ARPU amounted to P\$102.3 per month in 2012 vs. P\$87 per month in 2011. As of December 31, 2012, the number of Internet accesses reached approximately 1.6 million equivalent to 39% of fixed lines in service of Telecom Argentina (vs. 37% in 2011), compared to 1.5 million as of December 31, 2011, an increase of 5%.

Mobile Internet revenues in the Personal Mobile segment increased 61% to P\$1,248 million in 2012 from P\$774 million in 2011. Such increases were mainly due to an increase in the subscriber base.

Equipment

Revenues from equipment increased by 28% to P\$2,028 million in 2012 from P\$1,587 million in 2011. This increase is mainly related to the Personal Mobile services segment in the retail business with an increase of P\$443 million vs. 2011 and was due to a mix between the increase in the average price of the handsets of 34% and the decrease of 5% in the handsets sold.

Other Income

Other income mainly includes penalties collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided. During 2012, other income increased 163% to P\$79 million from P\$30 million, mainly due to an increase in penalties and indemnities collected from suppliers.

Operating expenses (without depreciation and amortization)

Total operating expenses (without depreciation and amortization) increased by P\$3,091 million totaling P\$15,626 million in 2012, representing a 25% increase as compared to 2011. The increase was mainly due to increases in employee benefit expenses and severance payments, fees for services, maintenance, materials and supplies, taxes and fees with the Regulatory Authority, commissions, energy fees, restructuring costs and cost of equipment and handsets.

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	Years Ended December 31,		Total Change %	Change by segment(1)			
	2012 (P\$ million)	2011 (P\$ million)		Fixed Services (P\$ million)	Personal Mobile Services	Núcleo Mobile Services	
Employee benefit expenses and severance payments	3,269	2,609	25	660	431	220	9
Interconnection costs and other telecommunications charges	1,707	1,497	14	210	(5)	199	16
Fees for services, maintenance, materials and supplies	2,109	1,719	23	390	135	245	10
Taxes and fees with the Regulatory Authority	2,018	1,595	27	423	82	337	4
Commissions	1,949	1,515	29	434	30	396	8
Cost of equipment and handsets	2,043	1,640	25	403	(15)	396	22
Cost of VAS	326	182	79	144	4	135	5
Advertising	660	599	10	61	17	36	8
Provisions	153	225	(32)	(72)	(75)	4	(1)
Bad-debt expense	275	169	63	106	28	77	1
Restructuring costs	90		n/a	90	83	7	
Other operating expenses	1,027	785	31	242	145	94	3
Total operating expenses (without depreciation and amortization)	15,626	12,535	25	3,091	860	2,146	85

(1) Net of the Intersegment transactions effect.

Employee benefit expenses and severance payments

During 2012, employee benefit expenses and severance payments were P\$3,269 million, representing a 25% increase from 2011. This was primarily due to salary increases that Telecom implemented across all segments and the increase in Telecom's headcount. In the Fixed Services segment, the increases were mainly due to salary increases and severance payments and termination benefits, as a result of an increase in the number of employees who retired or were dismissed. In the Personal Mobile Services segment there was a 9% increase in the number of employees (from 4,820 employees in 2011 to 5,254 employees in 2012).

With a total headcount of 16,808 at the end of 2012 (+3% vs. 2011), lines in service per employee reached 371 in the Fixed Services segment (slightly lower to 2011), 3,612 in the Personal mobile services segment (-4% vs. 2011) and 5,226 in the Núcleo mobile services segment (+6% vs. 2011).

Interconnection costs and other telecommunications charges

Interconnection costs and other telecommunications charges includes interconnection costs, lease of circuits and costs of international outbound calls, which reflect payments made under bilateral agreements between Telecom Argentina and international carriers in connection with outgoing calls made by our customers. Additionally, the cost of roaming and TLRD is included in the Mobile Services segments. In 2012, interconnection costs and other telecommunications charges amounted to P\$1,707 million compared with P\$1,497 million in 2011. The increase was mainly due to higher traffic volume.

Fees for services, maintenance, materials and supplies

Expenses related to fees for services, maintenance, materials and supplies increased 23% to P\$2,109 million in 2012 from P\$1,719 million in 2011. This increase was mainly due to higher maintenance costs across all segments, and to higher fees for services related to call centers (a P\$173 million increase from 2011 to 2012).

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority (including turnover tax, IDC, municipal and other taxes) increased 27% to P\$2,018 million in 2012 from P\$1,595 million in 2011, mainly due to charges of turnover tax (P\$222 million increase from 2011 to 2012) as a result of the increase in revenues during 2012 and from taxes with the Regulatory Authority (an increase of P\$92 million from 2011).

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Commissions

Commissions increased by P\$434 million, or 29%, to P\$1,949 million in 2012 from P\$1,515 million in 2011. The increase was mainly due to higher commissions related to commercial agents associated with increased revenues because of major acquisition and retention costs, higher card sales, and prepaid recharges and collections.

Commissions are net of agent commissions capitalized as SAC, which totaled P\$314 million (+P\$66 million or 27% vs. 2011), and are directly related to the increase in the postpaid subscribers base in the Personal Mobile Services segment.

Cost of equipment and handsets

During 2012, the cost of equipment and handsets increased to P\$2,043 million from P\$1,640 million in 2011, representing a 25% increase. The increase in costs of mobile handsets in both Mobile Services segments was P\$418 million and was mainly due to higher average unit cost of sales (+26% vs. 2011) offset by a decrease in the number of handsets sold (-5% vs. 2011).

Cost of equipment and handsets are net of costs capitalized as SAC (P\$463 million in 2012, P\$7 million or 1% lower than 2011).

Cost of VAS

Cost of VAS amounted to P\$326 million (+P\$144 million vs. 2012), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the SMS service).

Advertising

Costs related to advertising increased by P\$61 million, or 10%, to P\$660 million in 2012. During 2012, Telecom Argentina continued its focus on advertising campaigns as a result of competition in the Internet services market while Personal recorded higher media advertising expenses to strengthen the brand position of the Telecom Group.

Provisions

During 2012, we recorded P\$153 million in provisions compared to P\$225 million recorded in 2011, representing a 32% decrease. The decrease in 2012 was mainly due to a decrease in labor claims amounting to P\$68 million and in regulatory tax proceedings amounting to P\$24 million, partially offset by an increase in civil and commercial proceedings amounting to P\$20 million.

Bad Debt Expense

In 2012, bad debt expense amounted to P\$275 million, an increase of 63% as compared to 2011, representing 1% of consolidated revenues in 2012 and less than 1% in 2011. The increase was mainly due to higher revenues in 2012 (+20%) as compared to 2011 and higher aging of the accounts receivables, mainly in voice-retail customers in the Personal Mobile Services segment.

Restructuring Costs

In the last quarter of 2012 the Company's Management decided to implement a restructuring plan aimed at improving the efficiency of the Telecom Group's organizational structure. This plan contemplates the removal and / or merger of management structures in various areas of Telecom Argentina and Personal. The plan involves the dismissal of about 90 employees with a total estimated cost of P\$90 million. As of December 31, 2012, 45 dismissals have been made effective, 40 employees of Telecom Argentina and 5 employees of Personal, for a total amount of P\$36 million. The remaining P\$54 million has been accrued.

Other Operating Expenses

Other operating expenses, which include transportation costs, energy and rentals, among others, increased 31% to P\$1,027 million in 2012 from P\$785 million in 2011 primarily as a result of the subsidies elimination on certain public services. Other operating expenses also were higher due to higher costs of site leases and international and satellite connectivity.

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Table of Contents**Operating income before depreciation and amortization**

Our consolidated operating income before depreciation and amortization was P\$6,570 million in 2012, representing an increase of P\$577 million or 10% from P\$5,993 million in 2011. It represented 30% and 32% of total consolidated revenues, respectively.

Depreciation and Amortization

Depreciation of PP&E and amortization of intangible assets increased by P\$454 million, or 21%, to P\$2,612 million during 2012. The increase in PP&E depreciation reached P\$254 million, in amortization of SAC and Service connection or habilitation costs totaled P\$195 million and in amortization of other intangible assets totaled P\$5 million.

For a further breakdown of our consolidated operating expenses, see [Results of Operations by Segment](#) below.

Gain on disposal of PP&E

The gain amounted to P\$8 million, a reduction of P\$14 million vs. 2011 and mainly corresponds to the Fixed Services segment.

Operating income

During 2012, consolidated operating income was P\$3,966 million, representing an increase of P\$109 million or 3% from 2011. Operating income represented 18% of consolidated revenues in 2012 versus 21% in 2011. The decrease in the margin was mainly due to the increase of operating expenses (including depreciation and amortization) of 24% partially offset by the increase in revenues of 20%.

	Years Ended December 31,		% of Change 2012-2011 Increase/(Decrease)
	2012	2011	
	(P\$ million / %)		
Operating income before depreciation and amortization (1)	6,570	5,993	10
<i>As % of revenues</i>	30	32	
Depreciation and amortization	(2,612)	(2,158)	21
<i>As % of revenues</i>	(12)	(12)	
Gain on disposal of PP&E	8	22	(64)
Operating income	3,966	3,857	3
<i>As % of revenues</i>	18	21	

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See [Management Overview](#) for a discussion of the use of this measure.

Financial results, net

During 2012, Telecom recorded a net financial gain of P\$229 million compared to a net financial gain of P\$80 million in 2011. The positive change in the net financial results was mainly due to higher gains from net financial position of

P\$135 million and lower interest loss on provisions of P\$34 million, partially offset by higher net foreign currency exchange losses by P\$31 million as compared to 2011 (including the effect of loss on derivatives).

Income tax expense

The Company's income tax charge includes three effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) the analysis of recoverability of deferred tax assets.

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(i) Regarding current tax expenses, Telecom Argentina, Telecom Argentina USA, Personal and Núcleo generated tax profit in fiscal year 2012, resulting in an income tax payable of P\$1,522 million versus P\$1,434 million in 2011. Fixed Segment income tax expense assessed in 2012 amounted to P\$312 million as compared to P\$379 million in 2011; Personal s, in 2012, amounted to P\$1,187 million compared to P\$1,039 million in 2011; and Núcleo s, in 2012, amounted to P\$23 million compared to P\$16 million in 2011.

(ii) Regarding the deferred tax, in 2012 and 2011, the Fixed Segment recorded a deferred tax benefit of P\$39 million and P\$101 million, respectively; Personal recorded a deferred tax benefit of P\$20 million and a deferred tax loss of P\$59 million in 2012 and 2011, respectively; and Núcleo generated a P\$3 million gain in 2012 and a P\$2 million gain in 2011, totaling P\$62 million of deferred tax benefit in 2012 and P\$44 million of deferred tax benefit in 2011. The gain in 2012 was mainly generated by the tax effects of temporary differences related to the allowance for doubtful accounts and provisions. The gain in 2011 was mainly generated by the tax effects of temporary differences related to provisions, partially offset by the tax effects of temporary differences related to PP&E and intangible assets.

(iii) Regarding the analysis of recoverability of deferred tax assets, Personal recorded a valuation allowance for deferred tax assets of P\$3 million and P\$5 million in 2012 and 2011, respectively, while no charges were recorded for Telecom Argentina, Telecom Argentina USA and Núcleo in those years.

Net income

For 2012, we recorded net income of P\$2,732 million (12% of total consolidated revenues), of which P\$2,685 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$502 million, the Personal Mobile Services segment accounted for a P\$2,085 million gain and the Núcleo Mobile Services segment accounted for a gain of P\$145 million, representing 7%, 14% and 17% of the total segment revenues, respectively.

For 2011, we recorded net income of P\$2,542 million (14% of total consolidated revenues), of which P\$2,513 million are attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$517 million, the Personal Mobile Services segment accounted for a P\$1,936 million gain and the Núcleo Mobile Services segment accounted for a gain of P\$89 million, representing 8%, 15% and 12% of the total segment revenues, respectively.

Table of Contents**(B) Results of Operations by Segment****(B.1) Fixed Services Segment**

Results of operations for our Fixed Services segment for 2013, 2012 and 2011 are comprised as follows:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase/(Decrease)	
Revenues (1)	8,254	7,061	6,208	17	14
Other Income (2)	43	84	26	(49)	223
Operating expenses (without depreciation and amortization)	(6,550)	(5,500)	(4,614)	19	19
Operating income before depreciation and amortization (3)	1,747	1,645	1,620	6	2
Depreciation and amortization	(1,019)	(929)	(818)	10	14
Gain on disposal of PP&E and impairment of PP&E	(106)	7	20	n/a	(65)
Operating income	622	723	822	(14)	(12)
Financial results, net	213	52	(27)	310	n/a
Income tax expense	(297)	(273)	(278)	9	(2)
Net income	538	502	517	7	(3)

- (1) Includes intersegment revenues of P\$1,248 million, P\$1,038 million and P\$879 million in 2013, 2012 and 2011, respectively.
- (2) Includes intersegment other income of P\$10 million, P\$9 million and P\$6 million in 2013, 2012 and 2011, respectively.
- (3) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Revenues

During 2013, revenues from our Fixed Services segment increased by 17% to P\$8,254 million from P\$7,061 million in 2012. During 2012, revenues from our Fixed Services segment increased by 14% to P\$7,061 million from P\$6,208 million in 2011. The increase in each year was mainly due to data transmission and Broadband with a 5% growth in Internet accesses in both 2013 and 2012.

Revenues from our Fixed Services segment for 2013, 2012 and 2011 are comprised as follows:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase/(Decrease)	
Voice-retail	2,656	2,475	2,357	7	5
Voice-wholesale	786	739	747	6	(1)
Data	963	735	583	31	26

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Internet	2,521	1,993	1,553	26	28
Service Revenues	6,926	5,942	5,240	17	13
Equipment (1)	80	81	89	(1)	(9)
Subtotal third party revenues	7,006	6,023	5,329	16	13
Intersegment	1,248	1,038	879	20	18
Total Fixed Services revenues	8,254	7,061	6,208	17	14

(1) This item is composed of voice, data and Internet equipment in each year.

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Revenues from voice-retail represented 32% of our total segment revenues for 2013 compared to 35% of our total segment revenues for 2012 and 38% of our total segment revenues for 2011. Revenues from voice-retail increased 7% to P\$2,656 million in 2013 from P\$2,475 million in 2012 and increased 5% in 2012 from P\$2,357 million in 2011.

Voice-retail mainly includes revenues from monthly basic charges (which differ for residential, professional and commercial customers), charges for supplementary services, measured service (national and international calls) and public telephone service. Charges for supplementary services include call-waiting, call-forwarding, three-way calling, caller ID, direct inwards dialing, toll-free service and voicemail, among others. Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. Most of our customers are billed monthly.

Monthly basic charges increased 9% to P\$1,121 million in 2012 from P\$1,032 million in 2012 and increased 8% from P\$957 million in 2011. Such growth was due to the level of service packages sold as well as increased prices for non-regulated services during the period.

Measured service charges increased 7% to P\$1,395 million in 2013 from P\$1,306 million in 2012 and increased 5% from P\$1,242 million in 2011. Such increases were due to the increase in the commercialization of domestic plans and domestic long distance services.

Voice-wholesale

Revenues from voice-wholesale represented 10% of our total segment revenues for 2013 and 2012 compared to 12% in 2011. Revenues from voice-wholesale increased 6% to P\$786 million in 2013 from P\$739 million in 2012 and decreased 1% from P\$747 million in 2011.

Voice-wholesale mainly includes interconnection services (which primarily include access, termination and long-distance transport of calls), international long-distance services (which reflect payments made under bilateral agreements between the Company and foreign telecommunications carriers covering inbound international long-distance calls) and revenues related to billing and collection services charged to other operators.

Interconnection services increased 6% to P\$547 million in 2013 from P\$516 million in 2012 and decreased 2% from P\$525 million in 2011.

Data and Internet

Revenues from data and Internet represented 42% of our total segment revenues in 2013 compared to 39% and 34% in 2012 and 2011, respectively. Revenues from data and Internet services increased 28% to P\$3,484 million in 2013 from P\$2,728 million in 2012 and increased 28% from P\$2,136 million in 2011.

Internet

Revenues from Internet increased 26% to P\$2,521 million in 2013 from P\$1,993 million in 2012 and increased 28% from P\$1,553 million in 2011. The increases were mainly due to the growth in the number of Internet accesses and to the increase in the average price of fixed charge services as a result of the completion of promotions granted to customers in the first months of subscription. As of December 31, 2013, the number of Internet accesses increased approximately 5% to 1.71 million from 1.63 million as of December 31, 2012 and increased 5% from 1.55 million as

of December 31, 2011.

Data

Revenues from data services increased 31% to P\$963 million in 2013 from P\$735 million in 2012 and increased 26% from P\$583 million in 2011. The increases were mainly due to the growth of Integra and VPN IP services (private data networks services that replace the point to point services); and due to the increase in monthly charges and Datacenter services (especially in hosting and housing monthly charges and Value Added Services).

Equipment

Revenues from equipment amount to P\$80 million in 2013 compared to P\$81 million in 2012 and decreased 9% from P\$89 million in 2011. The decrease in 2012 was principally due to the decrease of sales of equipment related to construction contracts.

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Intersegment revenues mainly includes interconnection services, which primarily include access, termination and transport of calls, leases of circuits, revenues related to billing and collection services charged.

During 2013, our intersegment revenues increased 20% to P\$1,248 million from P\$1,038 million in 2012 and increased 18% from P\$879 million in 2011. These increases were mainly due to higher revenues on leases of circuits to Personal as part of the growth of its network traffic. The intersegment revenues are eliminated at the consolidated level.

Other Income

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided. During 2013, other income decreased 49% to P\$43 million from P\$84 million in 2012. The decrease in 2013 was mainly due to a decrease in indemnities and penalties collected from suppliers. In 2012, other income increased 223% from P\$26 million in 2011 mainly due to an increase in indemnities collected from suppliers.

Operating Expenses (without depreciation and amortization)

During 2013, total operating expenses (without depreciation and amortization) for the Fixed Services segment increased 19% to P\$6,550 from P\$5,500 million in 2012 and increased 19% from P\$4,614 million in 2011. The increases were mainly due to increases in employee benefit expenses and severance payments, fees for services, maintenance, materials and supplies, provisions and taxes and fees with the Regulatory Authority.

Detailed below are the major components of our operating expenses for the years ended December 31, 2013, 2012 and 2011 related to our Fixed Services segment:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase/(Decrease)	
Employee benefit expenses and severance payments	2,991	2,380	1,949	26	22
Interconnection costs and other telecommunications charges	525	507	491	4	3
Fees for services, maintenance, materials and supplies	1,126	950	815	19	17
Taxes and fees with the Regulatory Authority	578	449	367	29	22
Commissions	177	169	139	5	22
Cost of equipment	74	44	59	68	(25)
Cost of VAS	11	9	5	22	80
Advertising	159	171	154	(7)	11
Provisions	169	89	164	90	(46)
Bad debt expenses	58	56	28	4	100
Restructuring Costs (recovery)	(8)	83		n/a	n/a
Other operating expenses	690	593	443	16	34
Total Fixed Services(1)	6,550	5,500	4,614	19	19

Includes intersegment cost of P\$104 million, P\$112 million and P\$86 million in 2013, 2012 and 2011, respectively.

(1) These costs are eliminated at the consolidated level.

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Employee benefit expenses and severance payments

During 2013, employee benefit expenses and charges for severance payments were approximately P\$2,991 million, representing a 26% increase from P\$2,380 million in 2012. In 2012, these charges increased 22% from P\$1,949 million in 2011. The increases were mainly due to salary increases in 2013 and 2012. The Fixed Services segment had 11,002, 11,115 and 11,093 employees as of December 31, 2013, 2012 and 2011, respectively.

Interconnection costs and other telecommunications charges

Interconnection costs and other telecommunications charges includes interconnection costs, lease of circuits and costs of international outbound calls, which reflect payments made under bilateral agreements between Telecom Argentina and international carriers in connection with outgoing calls made by our customers.

In 2013 interconnection costs and other telecommunications charges amounted to P\$525 million, representing an increase of 4% from P\$507 million in 2012. In 2012 these charges increased 3% from P\$491 million in 2011. The increases were mainly due to higher traffic volume resulting from Telecom Argentina's network.

Fees for Services, Maintenance, Materials and Supplies

During 2013, fees for services, maintenance, materials and supplies increased 19% to P\$1,126 million from P\$950 million in 2012 and increased 17% from P\$815 million in 2011. The increases were mainly due to higher maintenance costs, the increase in the prices of certain supplies due to the effects of inflation and higher costs of services, especially those related to call centers (a P\$7 million increase from 2012 to 2013 and a P\$32 million increase from 2011 to 2012), as a result of an increase in the commercial activity, as well as technical maintenance fees (a P\$51 million increase from 2012 to 2013 and a P\$38 million increase from 2011 to 2012).

Fees for services, maintenance, materials and supplies are net of service connection fees capitalized (P\$36 million in 2013, P\$4 million or 12% higher than 2012).

Taxes and fees with the Regulatory Authority

Expenses related to taxes and fees with the Regulatory Authority increased 29% to P\$578 million in 2013 from P\$449 million in 2012 and increased 22% from P\$367 million in 2011, mainly due to charges of turnover tax (a P\$75 million increase from 2012 to 2013 and a P\$37 million increase from 2011 to 2012) as a result of the increase in revenues during both years and an increase in rates. Also, in 2013 the increase was a result of higher average rates of the turnover tax in the City of Buenos Aires, Córdoba, Chaco, Jujuy and Mendoza.

Commissions

During 2013, costs relating to commissions amounted to approximately P\$177 million, representing an increase of 5% as compared to P\$169 million in 2012. In 2012, these charges increased 22% from P\$139 million in 2011. The increase in both years was mainly due to higher commissions for collections as a result of increased sales and higher transaction cost for collection services.

Cost of Equipment

During 2013, 2012 and 2011 we recorded P\$74 million, P\$44 million and P\$59 million in cost of equipment, respectively. The variation in these years is related mainly to the variation in the costs of construction contracts.

Cost of equipment includes P\$16 million and P\$14 million related to equipment construction contract costs in 2013 and 2011, respectively. No costs were recorded for this concept in 2012.

Cost of VAS

Cost of VAS increased P\$2 million to P\$11 million in 2013 from P\$9 million in 2012.

Advertising

During 2013, we recorded P\$159 million in costs of advertising representing a decrease of 7% as compared to P\$171 million recorded in 2012. The decrease was mainly due to a reduction in the commercial campaigns of Arnet as compared to 2012. In 2012, these charges increased 11% from P\$154 million in 2011. Telecom Argentina continued its advertising campaigns as a result of competition in the Internet services market.

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During 2013, we recorded P\$169 million in provisions compared to P\$89 million recorded in 2012 and P\$164 million recorded in 2011. The increase in 2013 was mainly due to the increase in regulatory and municipal claims for approximately P\$85 million. The decrease in 2012 was mainly due to the decrease in labor claims of approximately P\$54 million and lower regulatory and tax claims for approximately P\$21 million.

Bad Debt Expenses

In 2013, bad debt expenses amounted to P\$58 million, and P\$56 million in 2012. In 2012 these charges increased 100% from P\$28 million in 2011. The increase in 2012 was mainly due to higher aging in accounts receivable, mainly in the Residential, professional and commercial customers segment.

Restructuring Costs

In the last quarter of 2012 the Company's Management decided to implement a restructuring plan aimed at improving the efficiency of the Telecom Group's organizational structure. This plan contemplates the removal and / or merger of management structures in various areas of Telecom Argentina. The total estimated cost amounted to P\$83 million in 2012. The recovery of these costs in 2013 amounts to P\$8 million as a consequence of the end of the restructuring Plan in June, 2013.

Other Operating Expenses

Other operating expenses include accrued expenses such as transportation costs, insurance, international and satellite connectivity, energy and rentals.

During 2013, our other operating expenses amounted to P\$690 million compared to P\$593 million in 2012 and P\$443 million in 2011. The increases were primarily due to the increase in prices of transportation, freight, energy, water and others to provide Telecom Argentina's services and rental expenses.

Operating Income before depreciation and amortization

Our operating income before depreciation and amortization from the Fixed Services segment was P\$1,747 million in 2013, P\$1,645 million in 2012 and P\$1,620 million in 2011, representing 21%, 23% and 26% of total segment revenues, respectively.

Depreciation and Amortization

Depreciation and amortization expenses were P\$1,019 million in 2013, P\$929 million in 2012 and P\$818 million in 2011. The increase was mainly due to assets acquired during 2013 and 2012, partially offset by a reduction in the level of depreciation due to the end of the amortization period for certain assets.

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

The gain on disposal of PP&E amounted to P\$16 million, P\$7 million and P\$20 million in 2013, 2012 and 2011, respectively. Impairment loss of PP&E amounted to P\$122 million in 2013 and is mainly related to the impairment of certain PP&E items related to some projects undertaken by Telecom Argentina with the public sector and the private sector that present uncertainty regarding their development and future associated cash flows.

Operating Income

Operating income represented 8%, 10% and 13% of total segment revenues in 2013, 2012 and 2011, respectively. In 2013, the operating income from our Fixed Services segment decreased 14% to P\$622 million from P\$723 million in 2012. In 2012, the operating income from our Fixed Services segment decreased 12% to P\$723 million from P\$822 million in 2011.

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Our operating income in the Fixed Services Segment continues to be affected by the Pesification and freeze of regulated rates. See Factors affecting results of operations Rate Regulation .

The following table shows our operating income from the Fixed Services segment in 2013, 2012 and 2011 and its percentage of revenues in each year.

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million / %)			Increase / (Decrease)	
Operating income before depreciation and amortization (1)	1,747	1,645	1,620	6	2
<i>As % of revenues</i>	<i>21</i>	<i>23</i>	<i>26</i>		
Depreciation and amortization	(1,019)	(929)	(818)	10	14
<i>As % of revenues</i>	<i>(12)</i>	<i>(13)</i>	<i>(13)</i>		
Gain on disposal of PP&E and impairment of PP&E	(106)	7	20	n/a	(65)
Operating income	622	723	822	(14)	(12)
<i>As % of revenues</i>	<i>8</i>	<i>10</i>	<i>13</i>		

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Financial results, net

During 2013, we recorded a net financial gain of P\$213 million compared to a net financial gain of P\$52 million in 2012. The increase in our financial results was mainly attributed to higher interest from cash equivalents and investments of approximately P\$15 million and a net foreign currency exchange gain of P\$103 million.

During 2012, we recorded a net financial gain of P\$52 million compared to a net financial loss of P\$27 million in 2011. The increase in our financial results was mainly attributed to higher interest from cash equivalents and investments of approximately P\$38 million and lower interest of approximately P\$47 million related to provisions for legal claims and severance payments and termination benefits. In addition, during 2012, a net foreign currency exchange gain of P\$6 million was recorded.

Income tax expense

As previously mentioned, the income tax charge includes three effects (See Years ended December 31, 2013, 2012 and 2011 Income Tax).

During 2013, our Fixed Services segment recorded an income tax expense of P\$297 million compared to P\$273 million in 2012 and P\$278 million in 2011. The increase in 2013 was mainly due to the increase in our pre-tax income compared to 2012. The decrease in 2012 was mainly due to the decrease in our pre-tax income compared to 2011.

The income tax expense in 2013 was mainly attributable to the recognition of current income tax expense (amounting to P\$344 million), partially offset by income generated by deferred tax on temporary differences arising out of the asset and liability valuations due to tax versus financial accounting criteria (amounting to P\$47 million). The income tax expense in 2012 was mainly attributable to the recognition of current income tax expense (amounting to P\$312

million), partially offset by income generated by a deferred tax on temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria (amounting to P\$39 million). The income tax expense in 2011 was mainly attributable to the recognition of current income tax expense (amounting to P\$379 million), partially offset by income generated by a deferred tax on temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria (amounting to P\$101 million).

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For 2013, 2012 and 2011, the Fixed Services segment recorded net income of P\$538 million, P\$502 million and P\$517 million, respectively. The increase in 2013 was mainly due to an increase in financial results, partially offset by a reduction in our operating income compared to the gain recorded in 2012, and an increase in the income tax expense as detailed above. The decrease in 2012 was mainly due to a reduction in our operating income compared to the gain recorded in 2011, partially offset by an increase in financial results and a reduction in the income tax expense as detailed above.

(B.2) Personal Mobile Services Segment

Results of operations from our Personal Mobile Services segment for 2013, 2012 and 2011 are comprised as follows:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase/(Decrease)	
Revenues(1)	19,245	15,350	12,548	25	22
Other Income	24	4	10	500	(60)
Operating expenses (without depreciation and amortization)	(13,879)	(10,760)	(8,449)	29	27
Operating income before depreciation and amortization(2)	5,390	4,594	4,109	17	12
Depreciation and amortization	(1,628)	(1,526)	(1,190)	7	28
Gain on disposal of PP&E and impairment of PP&E	(68)	1	2	n/a	(50)
Operating income	3,694	3,069	2,921	20	5
Financial results, net	334	186	118	80	58
Income tax expense	(1,472)	(1,170)	(1,103)	26	6
Net income	2,556	2,085	1,936	23	8

- (1) Includes intersegment revenues of P\$116 million, P\$123 million and P\$93 million in 2013, 2012 and 2011, respectively.
- (2) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Revenues

During 2013, revenues from our Personal Mobile Services segment increased by 25% to P\$19,245 million from P\$15,350 million in 2012 and increased 22% from P\$12,548 million in 2011. The increase in each year was mainly due to the growth in the subscriber base, the increase in prices of our services and the increase in the monthly consumption of the offered services, primarily data and Internet services.

An important monthly operational measure used in the Personal Mobile Services segment is ARPU, which we calculate by dividing adjusted total service revenues excluding outcollect wholesale roaming, cell site rental and reconnection fee revenues and others (divided by 12 months) by the average number of subscribers during the period. ARPU is not a measure calculated in accordance with IFRS and our measure of ARPU may not be calculated in the same manner as similarly titled measures used by other companies. In particular, certain components of service

revenues are excluded from Personal s ARPU calculations presented in this Annual Report. Our Management believes that this measure is helpful in assessing the development of the subscriber base in the Personal Mobile Services segment. The following table shows the reconciliation of total service revenues to such revenues included in the ARPU calculations:

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	Years Ended December 31,		
	2013	2012	2011
	(P\$ million)		
Total service revenues	16,119	13,435	11,076
Components of service revenues not included in the ARPU calculation:			
Outcollect wholesale roaming	(270)	(250)	(210)
Cell sites rental	(32)	(25)	(18)
Reconnection fees and others	(239)	(220)	(145)
Adjusted total service revenues included in the ARPU calculation(1)	15,578	12,940	10,703
Average number of subscribers during the year (thousands)	19,448	18,687	17,336

(1) Certain components of service revenues are not included in the ARPU calculation. Includes Intersegment revenues for P\$116 million in 2013, P\$123 million in 2012 and P\$93 million in 2011.

During 2013, ARPU increased 16% to approximately P\$66.8 per customer per month compared to approximately P\$57.7 per customer per month in 2012. ARPU reached P\$51.4 per customer per month in 2011.

The total number of Personal s subscribers increased approximately 6% to 20.1 million as of December 31, 2013 from 19.0 million as of December 31, 2012 and increased 4% from 18.2 million as of December 31, 2011. The increase in both years was fueled by increased penetration in the mobile services market in Argentina. As of December 31, 2013, the subscriber base in Argentina amounted to approximately 13.6 million prepaid subscribers, or 68% of the total subscriber base, approximately 2.5 million post-paid subscribers, or 12% of the total subscriber base and approximately 4.0 million Cuentas Claras plan subscribers, or 20% of the total subscriber base.

Revenues from our Personal Mobile Services segment for 2013, 2012 and 2011 are comprised as follows:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase/(Decrease)	
Voice-retail	4,773	4,461	4,001	7	11
Voice-wholesale	1,930	1,838	1,726	5	6
Data	7,212	5,765	4,482	25	29
Internet	2,088	1,248	774	67	61
Services Revenues	16,003	13,312	10,983	20	21
Equipment	3,126	1,915	1,472	63	30
Subtotal third party revenues	19,129	15,227	12,455	26	22
Intersegment	116	123	93	(6)	32
Total Personal Mobile Services Revenues	19,245	15,350	12,548	25	22

Voice-retail

Revenues from voice-retail represented 25% of our total segment revenues in 2013 compared to 29% and 32% of our total segment revenues in 2012 and 2011, respectively. Revenues from voice-retail increased 7% to P\$4,773 million in

2013 from P\$4,461 million in 2012 and increased 11% from P\$4,001 million in 2011.

Voice-retail mainly includes revenues from monthly basic charges, airtime usage charges and roaming charges billed to our customers for their use of our and other carriers' networks.

Monthly basic charges increased 11% to P\$2,369 million in 2013 from P\$2,137 million in 2012 and increased 26% in 2012 from P\$1,698 million in 2011. Airtime usage charges increased 2% to P\$2,005 million in 2013 from P\$1,961 million in 2012 and decreased 3% to P\$1,961 million in 2012 from P\$2,022 million in 2011. Roaming charges billed and other services increased 10% to P\$399 million in 2013 from P\$363 million in 2012 and increased 29% in 2012 from P\$281 million in 2011. Such growth was mainly due to an increase in the subscriber base (especially in prepaid and Cuentas Claras), an increase in the volume of total traffic and an increase in the prices of our services.

Table of Contents*Voice-wholesale*

Revenues from voice-wholesale represented 10% of our total segment revenues in 2013 compared to 12% and 14% of our total segment revenues in 2012 and 2011, respectively. Revenues from voice-wholesale increased 5% to P\$1,930 million in 2013 from P\$1,838 million in 2012 and increased 6% from P\$1,726 million in 2011.

Voice-wholesale mainly includes revenues from CPP, TLRD and roaming charges billed to other mobile service providers whose customers use our network.

CPP and TLRD increased 4% to P\$1,634 million in 2013 from P\$1,568 million in 2012 and increased 4% from P\$1,503 million in 2011. Such increases were mainly due to increased traffic volume in Argentina.

Roaming charges billed and other services increased 10% to P\$296 million in 2013 from P\$270 million in 2012 and increased 21% from P\$223 million in 2011. The increase was due to an increase in the traffic volume in Argentina.

Data and Internet

Data and Internet services mainly include SMS, MMS, Browsing and Internet. Data and Internet represented 48%, 46% and 42% of our total segment revenues for 2013, 2012, and 2011, respectively.

Data

Revenues from data mainly include contents via SMS, SMS, MMS and other Value Added Services. Revenues from data increased 25% to P\$7,212 million in 2013 from P\$5,765 million in 2012. Revenues from data increased 29% in 2012 from P\$4,482 million in 2011. This increase was mainly due to the constant SMS sales increase as a result of several campaigns launched by Personal and especially due to the increase in revenues from the sale of contents via SMS, which represented an inter-annual increase of P\$1,280 million, a 141% of growth in 2013.

In particular, revenues of SMS increased 3% to P\$4,792 million in 2013 from P\$4,668 million in 2012 (the monthly average number of SMS decreased 6% to 5,435 million in 2013 from 5,769 million in 2012). Revenues of SMS increased 21% to P\$4,668 million in 2012 from P\$3,847 million in 2011 (the monthly average number of SMS grew 3% to 5,769 million in 2012 from 5,587 million in 2011).

Internet

Revenues from Internet increased 67% to P\$2,088 million in 2013 from P\$1,248 million in 2012. Revenues from Internet increased 61% in 2012 from P\$774 million in 2011. Such increases were mainly due to an increase in the subscriber base and the increase in consumption by Personal's subscribers.

Equipment

Equipment revenues consist primarily of revenues from the mobile handsets sold to new and existing subscribers and to agents and other third-party distributors. The revenues associated with the sale of mobile handsets and related expenses are recognized when the products are delivered and accepted by the subscribers, agents and other third-party distributors.

During 2013, handset revenues increased 63% to P\$3,126 million from P\$1,915 million in 2012 and increased 30% from P\$1,472 million in 2011. This increase was due to a mix between the increase in the average price of the

handsets of 72% and the decrease of 5% in the handsets sold by Personal. This situation was mainly generated by a subsidy reduction policy, the increase in average prices related to higher-value handsets demand, the business strategy to attract high-value subscribers, a decrease in discounts as a result of the finalization of commercial promotions and lower retail revenues.

Intersegment

Intersegment revenues mainly include services rendered to Telecom Argentina and primarily consist in monthly basic charges, airtime usage charges and Value Added Services. During 2013, our intersegment revenues decreased 6% to P\$116 million in 2013 from P\$123 million in 2012 and increased 32% from P\$93 million in 2011. The intersegment revenues are eliminated at the consolidated level.

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Other income mainly includes penalties collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided. During 2013, other income was P\$24 million, representing an increase of 500% from P\$4 million in 2012 and P\$10 million in 2011.

Operating Expenses (without depreciation and amortization)

Total operating expenses (without depreciation and amortization) in our Personal Mobile Services segment increased 29% to P\$13,879 million in 2013 from P\$10,760 million in 2012 and increased 27% from P\$8,449 million in 2011. In line with our increases in revenues, during 2013 and 2012, all items in the cost structure of the Personal Mobile Services segment experienced material increases. This trend reflects increases in certain costs related to acquiring and retaining customers, taxes, commissions associated with sales and expansion of the customer service staff.

Detailed below are the major components of the operating expenses for the years ended December 31, 2013, 2012 and 2011 in the Personal Mobile Services segment:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase/(Decrease)	
Employee benefit expenses and severance payments	1,077	825	605	31	36
Interconnection costs and other telecommunications charges	2,148	1,947	1,621	10	20
Fees for services, maintenance, materials and supplies	1,634	1,242	966	32	29
Taxes and fees with the Regulatory Authority	2,076	1,542	1,205	35	28
Commissions	1,970	1,745	1,353	13	29
Cost of equipment	2,956	1,964	1,568	51	25
Cost of VAS	663	292	157	127	86
Advertising	442	436	400	1	9
Provisions	101	65	61	55	7
Bad debt expenses	214	211	134	1	57
Restructuring Costs		7		n/a	n/a
Other operating expenses	598	484	379	24	28
Total Personal Mobile Services(1)	13,879	10,760	8,449	29	27

(1) Includes intersegment cost of P\$1,257 million, P\$1,049 million and P\$884 million in 2013, 2012 and 2011, respectively. These costs are eliminated at the consolidated level.

Employee benefit expenses and severance payments

During 2013, employee benefit expenses and severance payments charges increased 31% to P\$1,077 million from P\$825 million in 2012 and increased 36% from P\$605 million in 2011. The increase was mainly due to the salary increases that Personal implemented and the increase in the number of full-time employees. The Personal Mobile Services segment had 5,155, 5,254 and 4,820 employees as of December 31, 2013, 2012 and 2011, respectively.

Interconnection Costs and other telecommunications charges

During 2013, interconnection costs and other telecommunications charges increased 10% to P\$2,148 million from P\$1,947 million in 2012 and increased 20% from P\$1,621 million in 2011. The increases were mainly due to higher traffic volume resulting from Personal s network and higher costs

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of roaming and TLRD due to an increase in mobile traffic among mobile operators as a consequence of a growth in the total subscriber base. Interconnection costs and other telecommunications charges includes intersegment costs of P\$921 million, P\$780 million and P\$652 million in 2013, 2012 and 2011, respectively, that are eliminated at the consolidated level.

Fees for services, Maintenance, Materials and Supplies

In 2013, fees for services, maintenance, materials and supplies expenses increased 32% to P\$1,634 million from P\$1,242 million in 2012 and increased 29% from P\$966 million in 2011. The increase was mainly due to an increase in the prices for the principal services received caused by the effects of inflation, higher service costs related to call centers (a P\$86 million increase from 2012 to 2013 and a P\$143 million increase from 2011 to 2012), as a result of an increase in the commercial activity and higher maintenance costs of hardware and software. Fees for services, maintenance, materials and supplies expenses includes intersegment costs of P\$211 million, P\$153 million and P\$122 million in 2013, 2012 and 2011, respectively, that are eliminated at the consolidated level.

Taxes and fees with the Regulatory Authority

During 2013, taxes and fees with the Regulatory Authority increased 35% to P\$2,076 million from P\$1,542 million in 2012 and increased 28% from P\$1,205 million in 2011. The increase in each year was mainly attributable to the increase in total segment revenues and higher average rates of the turnover tax.

Commissions

In 2013, commissions increased 13% to P\$1,970 million from P\$1,745 million in 2012 and increased 29% from P\$1,353 million in 2011. These increases were mainly due to a growth in commercial activity (mainly due to the increase in commercial agents commissions) and a growth in the subscriber base. Commissions include intersegment cost of P\$56 million, P\$57 million and P\$61 million in 2013, 2012, and 2011, respectively, that are eliminated at the consolidated level.

Cost of Equipment

During 2013, the cost of equipment and handsets sold increased 51% to P\$2,956 million from P\$1,964 million in 2012 and increased 25% from P\$1,568 million in 2011. The increase in costs of mobile handsets in 2013 was mainly due to higher average unit cost of sales (+72% vs. 2012) offset by a decrease in the number of handsets sold (-5% vs. 2012). The increase in costs of mobile handsets in 2012 was mainly due to higher average unit cost of sales (+26% vs. 2011) offset by a decrease in the number of handsets sold (-5% vs. 2011).

Cost of equipment and handsets are net of costs capitalized as SAC (P\$225 million in 2013, P\$217 million or 49% lower than 2012).

Cost of VAS

Cost of VAS amounted to P\$663 million (+P\$371 million vs. 2012), mainly due to the increase of VAS (mainly the SMS service) as a consequence of several campaigns launched by Personal and especially due to the increase in revenues from the sale of contents via SMS.

Advertising

During 2013, advertising expenses including media, promotional and institutional campaigns, amounted to P\$442 million, representing an increase of 1% from P\$436 million in 2012. During 2012, these costs increased 9% from P\$400 million in 2011. This increase was due to the increase in promotional campaigns.

Provisions

During 2013, we recorded P\$101 million in provisions compared with P\$65 million and P\$61 million recorded in 2012 and 2011, respectively. The increase in 2013 was mainly due to higher claims recorded, in particular an increase in civil and commercial claims for P\$62 million, partially offset by lower labor claims for P\$24 million. The increase in 2012 was mainly due to higher claims recorded, in particular an increase in trade claims for P\$20 million, partially offset by lower labor claims for P\$14 million.

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In 2013 bad debt expenses amounted to P\$214 million, representing a lower increase of 1% from P\$211 million in 2012. In 2012, bad debt expenses increased 57% from P\$134 million in 2011. The increase was mainly due to higher revenues in 2012 (+22%) as compared to 2011 and higher aging in accounts receivables in voice-retail customers.

Restructuring Costs

In the last quarter of 2012 the Management decided to implement a restructuring plan aimed at improving the efficiency of the Telecom Group's organizational structure. This plan contemplates the removal and / or merger of management structures in various areas of Personal. The plan involves the dismissal of about 9 members of middle and upper management with a total estimated cost of P\$7 million.

Other Operating Expenses

Other operating expenses include accrued expenses such as costs associated with the provision of transportation costs, insurance, energy and costs of site leases.

Other operating expenses increased 24% to P\$598 million in 2013 from P\$484 million in 2012 and increased 28% from P\$379 million in 2011. The increase was mainly due to higher costs associated with an increase in freight and transportation costs. Other operating expenses include intersegment costs of P\$69 million, P\$59 million and P\$49 million in 2013, 2012, and 2011, respectively, that are eliminated at the consolidated level.

Operating Income before depreciation and amortization

Our operating income before depreciation and amortization from the Personal Mobile Services segment reached P\$5,390 million in 2013, P\$4,594 million in 2012 and P\$4,109 million in 2011, representing 28%, 30% and 33% of total segment revenues in 2013, 2012 and 2011, respectively. The increase in each year was mainly due to higher growth in revenues, partially offset by increases in operating costs (before depreciation and amortization).

Depreciation of PP&E and Amortization of Intangible Assets

During 2013 depreciation of PP&E and amortization of intangible assets increased 7% to P\$1,628 million from P\$1,526 million in 2012 and increased 28% from P\$1,190 million in 2011. The increase was the result of higher investment in PP&E and intangible assets, partially offset by a reduction in the level of depreciation due to the end of the amortization period for certain assets. In particular, during 2013, amortization of SAC increased P\$44 million and depreciation of PP&E and other intangible assets increased P\$58 million compared to 2012. During 2012 amortization of SAC increased P\$193 million and depreciation of PP&E and other intangible assets increased P\$143 million compared to 2011.

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

The loss on disposal of PP&E amounted to P\$3 million in 2013 and the gain on disposal of PP&E amounted to P\$1 million in 2012. Impairment of PP&E amounted to P\$65 million in 2013 and is mainly related to the discontinuation of a commercial system.

Operating Income

In 2013, our operating income from the Personal Mobile Services segment was P\$3,694 million, representing an increase of 20% from P\$3,069 million in 2012, and increased 5% from P\$2,921 million in 2011. Operating income represented 19% of revenues in 2013 for this segment, 20% of revenues in 2012 and 23% in 2011. The increase in operating income was mainly due to the growth in service and equipment revenues, partially offset by increases in operating expenses and depreciation and amortization as explained above.

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The following table shows our operating income from the Personal Mobile Services segment in 2013, 2012 and 2011 and its percentage of revenues in each year:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million / %)			Increase / (Decrease)	
Operating income before depreciation and amortization(1)	5,390	4,594	4,109	17	12
<i>As % of revenues</i>	28	30	33		
Depreciation and amortization	(1,628)	(1,526)	(1,190)	7	28
<i>As % of revenues</i>	(8)	(10)	(9)		
Gain on disposal of PP&E and impairment of PP&E	(68)	1	2	n/a	(50)
Operating income	3,694	3,069	2,921	20	5
<i>As % of revenues</i>	19	20	23		

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Financial results, net

During 2013, the Personal Mobile Services segment recorded a net financial gain of P\$334 million compared to a net financial gain of P\$186 million in 2012 and a net financial gain of P\$118 million in 2011. The gain recorded in 2013 was mainly attributed to interest from cash equivalents and investments of approximately P\$650 million. In addition, the devaluation of the peso against the U.S. dollar generated a net foreign currency exchange loss of P\$328 million in 2013. The gain recorded in 2012 was mainly attributed to interest from cash equivalents and investments of approximately P\$232 million. In addition, the devaluation of the peso against the U.S. dollar generated a net foreign currency exchange loss of P\$55 million in 2012.

Income Tax Expense

During 2013, our Personal Mobile Services segment recorded an income tax expense of P\$1,472 million compared to P\$1,170 million in 2012 and P\$1,103 million in 2011. The increase was mainly due to higher pre-tax income in each year. The income tax expense in 2013 was mainly attributable to the recognition of current income tax expense amounting to P\$1,588 million, partially offset by the gain generated by the deferred tax on the temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria amounting to P\$120 million and P\$4 million loss in the allowance for net deferred tax assets.

The income tax expense in 2012 was mainly attributable to the recognition of current income tax expense amounting to P\$1,187 million, partially offset by the gain generated by the deferred tax on the temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria amounting to P\$20 million and P\$3 million loss in the allowance for net deferred tax assets.

The income tax expense in 2011 was mainly attributable to the recognition of current income tax expense amounting to P\$1,039 million, the loss generated by the deferred tax on the temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria amounting to P\$59 million and a loss of P\$5

million in the allowance for net deferred tax assets.

Net Income

During 2013, our Personal Mobile Services segment reported net income of P\$2,556 million as compared to P\$2,085 million during 2012 and P\$1,936 million in 2011. The increase in net income in 2013 and 2012 was mainly due to higher operating income and financial results, partially offset by higher income tax expense, as explained above.

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Results of operations from our Núcleo Mobile Services segment for 2013, 2012 and 2011 are comprised as follows:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase / (Decrease)	
Revenues (1)	1,160	873	718	33	22
Other Income	6			n/a	
Operating expenses (without depreciation and amortization)	(739)	(542)	(454)	36	19
Operating income before depreciation and amortization (2)	427	331	264	29	25
Depreciation and amortization	(226)	(157)	(150)	44	5
Gain on disposal of PP&E	1			n/a	
Operating income	202	174	114	16	53
Financial results, net	(19)	(9)	(11)	111	(18)
Income tax expense	(23)	(20)	(14)	15	43
Net income	160	145	89	10	63

- (1) Includes intersegment revenues of P\$8 million, P\$6 million and P\$4 million in 2013, 2012 and 2011, respectively.
- (2) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Revenues

During 2013, total revenues from Núcleo increased by 33% to P\$1,160 million from P\$873 million in 2012. This increase was mainly due to an increase of 5% in Núcleo's subscriber base that reached approximately 2.4 million mobile subscribers as of December 31, 2013 and the appreciation of the Guaraní of 33%. As of December 31, 2013, Núcleo had approximately 1.9 million prepaid subscribers, representing 80% of Núcleo's total mobile subscriber base.

Value Added Services sales (included in Data and Internet services) grew by 38% in 2013 as compared to 2012.

During 2012, total revenues from Núcleo increased by 22% to P\$873 million from P\$718 million in 2011. This increase was mainly due to an increase of 7% in Núcleo's subscriber base that reached approximately 2.3 million mobile subscribers as of December 31, 2012, the appreciation of the Guaraní of 9% and the increase in internet revenues (+83%). As of December 31, 2012, Núcleo had approximately 1.9 million prepaid subscribers, representing 82% of Núcleo's total mobile subscriber base.

Value Added Services sales (included in Data and Internet services) grew by 26% in 2012 as compared to 2011.

Revenues from our Núcleo Mobile Services segment for 2013, 2012 and 2011 are comprised as follows:

Years Ended December 31, % of Change

	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase	
Voice	500	414	353	21	17
Data	313	267	251	17	6
Internet	270	154	84	75	83
Service revenues	1,083	835	688	30	21
Equipment	69	32	26	116	23
Subtotal third party revenues	1,152	867	714	33	21
Intersegment	8	6	4	33	50
Total revenues	1,160	873	718	33	22

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Other income mainly includes indemnities collected from suppliers. During 2013, other income was P\$6 million.

Operating Expenses (without depreciation and amortization)

Total operating expenses in our Núcleo Mobile Services segment increased 36% to P\$739 million in 2013 from P\$542 million in 2012. In 2012 operating expenses increased 19% from P\$454 million in 2011. In line with our increases in revenues, during 2013 and 2012, all items in the cost structure of the Núcleo Mobile Services segment experienced increases. This trend reflected increases in certain costs of acquiring and retaining subscribers, and commissions directly associated with sales and expansions of the customer service staff, also, the increase is mainly due to the appreciation of the Guaraní with respect to the Argentine peso (+33% inter-annual).

Detailed below are the major components of the operating expenses for the years ended December 31, 2013, 2012 and 2011 related to Núcleo Mobile Services segment:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million)			Increase/(Decrease)	
Employee benefit expenses and severance payments	84	64	55	31	16
Interconnection costs and other telecommunications charges	171	128	110	34	16
Fees for services, maintenance, materials and supplies	101	76	64	33	19
Taxes and fees with the Regulatory Authority	35	27	23	30	17
Commissions	112	92	84	22	10
Cost of equipment	81	35	13	131	169
Cost of VAS	34	25	20	36	25
Advertising	55	53	45	4	18
Provisions.		(1)		n/a	n/a
Bad debt expense	11	8	7	38	14
Other operating expenses	55	35	33	57	6
Total Núcleo Mobile Services(1)	739	542	454	36	19

(1) Includes intersegment cost of P\$21 million, P\$15 million and P\$12 million in 2013, 2012 and 2011, respectively. These costs are eliminated at the consolidated level.

Employee benefit expenses and severance payments

During 2013, employee benefit expenses and severance payments increased 31% to P\$84 million from P\$64 million in 2012. During that year, these costs increased 16% from P\$55 million in 2011. The increase was mainly due to salary increases that Núcleo implemented in 2013, partially offset by a decrease in the number of employees as of December 2013. The increase was mainly due to salary increases that Núcleo implemented and an increase in the number of employees in 2012. Núcleo had 424 employees as of December 31, 2013. As of December 31, 2012 and 2011 it had 439 and 433, respectively.

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Interconnection Costs and Other Telecommunication Charges

During 2013, interconnection costs and other telecommunication charges increased 34% to P\$171 million from P\$128 million in 2012. During 2012, those charges increased 16% from P\$110 million in 2011. The increase was mainly due to higher traffic volume resulting from Núcleo s network.

Fees for Services, Maintenance, Materials and Supplies

During 2013, fees for services and maintenance, materials and supplies totaled P\$101 million, representing an increase of 33% from P\$76 million in 2012. During 2012, they increased 19% from P\$64 million in 2011. The increases in 2013 correspond to higher maintenances costs, while the increases in 2012 correspond to higher miscellaneous fees for services.

Taxes and fees with the Regulatory Authority

During 2013, taxes and fees with the Regulatory Authority increased 30% to P\$35 million from P\$27 million in 2012 and increased 17% from P\$23 million in 2011. The increase in the year was attributable to the increase in total segment revenues.

Commissions

During 2013, commissions increased to P\$112 million from P\$92 million in 2012, representing an increase of 22%. During 2012, commissions increased 10% from P\$84 million in 2011. The increases were mainly due to the growth in the subscriber base.

Cost of Equipment

During 2013, the cost of handsets sold increased to P\$81 million from P\$35 million, representing an increase of 131%. During 2011, the cost of handsets was P\$13 million. The increase in 2013 and 2012 was mainly due to an expansion of the subscriber base and increased customer upgrade of mobile handsets as a result of technological advances and new service offerings.

Cost of VAS

Cost of VAS increased P\$9 million to P\$34 million in 2013 from P\$25 million in 2012.

Advertising

During 2013, advertising expenses including media, promotional and institutional campaigns, amounted to P\$55 million, representing an increase of 4% from 2012. During 2012, these expenses amounted to P\$53 million, representing an increase of 18% from P\$45 million in 2011. This variation was mainly due to campaigns related to Internet 3G, the Interconnection Network and to strengthening the Personal brand position in Paraguay and Number Portability.

Other Operating Expenses

Other operating expenses include accrued expenses such as costs associated with the provision of transportation costs, insurance, energy and costs of site leases.

Other operating expenses increased 57% to P\$55 million in 2013 and increased 6% to P\$35 million in 2012 from P\$33 million in 2011. The increase was mainly due to the higher costs of site leases.

Operating Income before depreciation and amortization

Operating income before depreciation and amortization was P\$427 million in 2013 and P\$331 million in 2012, representing 37% and 38% of total revenues, respectively. Operating income before depreciation and amortization was P\$264 million in 2011, representing 37% of total revenues in that year. The increase was mainly due to growth in service revenues, partially offset by increases in costs, such as fees for services and maintenance, materials and supplies, cost of handsets and commissions.

Table of Contents**Depreciation of PP&E and Amortization of Intangible Assets**

During 2013, depreciation of PP&E and amortization of intangible assets increased 44% to P\$226 million from P\$157 million in 2012. During 2012 depreciation and amortization increased 5% from P\$150 million in 2011. The increase was the result of higher investment in PP&E and intangible assets, partially offset by a reduction in the level of depreciation due to the end of the amortization period for certain assets.

Operating Income

In 2013, our operating income from the Núcleo Mobile Services segment was P\$202 million, representing an increase of 16% from P\$174 million in 2012, which represent 17% and 20% of total revenues for this segment in 2013 and 2012, respectively. In 2011, our operating income was P\$114 million, representing 16% of total revenues for this segment.

The following table shows our operating income from the Núcleo Mobile Services segment in 2013, 2012 and 2011 and its percentage of total revenues in each year:

	Years Ended December 31,			% of Change	
	2013	2012	2011	2013-2012	2012-2011
	(P\$ million / %)			Increase / (Decrease)	
Operating income before depreciation and amortization (1)	427	331	264	29	25
<i>As % of total revenues</i>	<i>37</i>	<i>38</i>	<i>37</i>		
Depreciation and amortization	(226)	(157)	(150)	44	5
<i>As % of total revenues</i>	<i>(19)</i>	<i>(18)</i>	<i>(21)</i>		
Gain on disposal of PP&E	1			n/a	
Operating income	202	174	114	16	53
<i>As % of total revenues</i>	<i>17</i>	<i>20</i>	<i>16</i>		

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Financial results, net

During 2013, the Núcleo Mobile Services segment recorded a net financial loss of P\$19 million, compared to a net financial loss of P\$9 million in 2012 and P\$11 million in 2011. The increase in the loss in 2013 was mainly due to higher interest on financial debt and higher exchange differences. The decrease in the loss in 2012 was mainly due to lower interest on financial debt.

Income Tax Expense

During 2013, our Núcleo Mobile Services segment recorded an income tax expense of P\$23 million compared to P\$20 million in 2012. The income tax expense in 2013 was mainly attributable to the recognition of current income tax expense amounting to P\$24 million partially offset by the gain generated by the deferred tax on the temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria amounting to P\$1 million.

During 2012, our Núcleo Mobile Services segment recorded an income tax expense of P\$20 million compared to P\$14 million in 2011. The income tax expense in 2012 was mainly attributable to the recognition of current income tax expense amounting to P\$23 million partially offset by the gain generated by the deferred tax on the temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria amounting to P\$3 million.

During 2011, our Núcleo Mobile Services segment recorded an income tax expense of P\$14 million compared to P\$10 million in 2010. The income tax expense in 2011 was mainly attributable to the recognition of current income tax expense amounting to P\$16 million partially offset by the gain generated by the deferred tax on the temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria amounting to P\$2 million.

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Table of Contents**Net Income**

During 2013, our Núcleo Mobile Services segment reported net income of P\$160 million as compared to P\$145 million during 2012, representing 14% and 17% of total revenues in 2013 and 2012, respectively. In 2011, our net income was P\$89 million, representing 12% of total revenues. The increase in net income was mainly due to higher operating income partially offset by the higher income tax expenses.

Liquidity and Capital Resources**Sources and Uses of Funds**

We expect that the principal source of Telecom Argentina's liquidity in the near term will be cash flows from Telecom Argentina's operations and the dividends that Personal may pay to it. Telecom Argentina's principal uses of cash flows are expected to be for capital expenditures and operating expenses and retributions to its shareholders. Telecom Argentina expects working capital and funds generated from operations to be sufficient for its present requirements.

We expect that the principal source of Personal's liquidity in the near term will be cash flows from operations. Personal's principal uses of cash flows are expected to be for capital expenditures, operating expenses and dividend payments to Telecom Argentina.

The Ordinary and Extraordinary Shareholders' Meeting of Telecom Argentina held on December 15, 2011, approved the creation of a Medium-Term Notes Global Program for a maximum outstanding amount of US\$500 million or its equivalent in other currencies for a term of five years.

The Ordinary and Extraordinary Shareholders' Meeting of Personal held on December 2, 2010, approved the creation of a Medium-Term Notes Global Program for a maximum outstanding amount of US\$500 million or its equivalent in other currencies for a term of five years. On October 13, 2011, the CNV approved this program.

The table below summarizes, for the years ended December 31, 2013, 2012 and 2011, Telecom's cash flows:

	Years Ended December 31,		
	2013	2012	2011
	(P\$ million)		
Cash flows from operating activities	7,139	5,029	5,317
Cash flows used in investing activities	(3,894)	(3,945)	(2,941)
Cash flows used in financing activities	(1,407)	(859)	(965)
Net foreign exchange differences on cash and cash equivalents	226	117	31
Increase in cash and cash equivalents	2,064	342	1,442
Cash and cash equivalents at the beginning of the year	3,160	2,818	1,376
Cash and cash equivalents at the end of the year	5,224	3,160	2,818

As of December 31, 2013, 2012 and 2011, we had P\$5,224 million, P\$3,160 million and P\$2,818 million in cash and cash equivalents, respectively.

Cash flows from operating activities were P\$7,139 million, P\$5,029 million and P\$5,317 million in 2013, 2012 and 2011, respectively. The increase of P\$2,110 million in 2013 was mainly due to an increase in the collection of trade receivables, resulting from an increase in revenues. The decrease of P\$288 million in 2012 was mainly due to higher employee benefit expenses and severance payments and higher income tax paid.

Cash flows used in investing activities were P\$3,894 million, P\$3,945 million and P\$2,941 million in 2013, 2012 and 2011, respectively. The decrease of P\$51 million in 2013 was mainly due to a decrease in investments not considered as cash and cash equivalents (amounting to P\$915 million), partially offset by higher payments for the acquisition of PP&E (amounting to P\$887 million). The increase of P\$1,004 million in 2012 was mainly due to higher payments for the acquisition of PP&E (amounting to P\$272 million) and intangible assets (especially SAC and service connection costs) amounting to P\$54 million and an increase of P\$652 million in investments not considered as cash and cash equivalents.

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Cash flows used in financing activities were P\$1,407 million, P\$859 million and P\$965 million in 2013, 2012 and 2011, respectively. The increase in 2013 of P\$548 million was mainly due to the acquisition of treasury shares by P\$461 million and a higher payment of dividends of P\$151 million. The decrease in 2012 of P\$106 million was mainly due to lower payments of dividends.

Debt Obligations and Debt Service Requirements*Non-Deliverable Forward (NDF) Contracts to Purchase U.S. Dollars at Fixed Rates*

During 2013 Personal entered into several NDF agreements to hedge/cover a total amount of US\$182 million maturing December 2013. The purpose of these NDF agreements is to eliminate the risks associated with the fluctuation of the exchange rate and to align the payment currency of Personal's commercial commitments to its functional currency. These NDF agreements were regarded as cash flow hedges, but these did not comply with effectiveness requirements. As of December 31, 2013, changes in fair value of these instruments represented a gain of approximately P\$55 million, which was recognized in Financial results. As of December 31, 2013, about P\$13 million were collected and P\$42 million were included in other receivables.

During 2012, Telecom Argentina and Personal entered into several NDF contracts to hedge/cover approximately US\$20.0 million and US\$26.3 million, respectively, maturing September and December 2012, in order to hedge its exposure to U.S. dollar fluctuations related to accounts payable. These NDF agreements were regarded as cash flow hedges, but these did not comply with effectiveness requirements. As of December 31, 2012, the changes in the fair value of these NDF agreements resulted in a loss of approximately P\$1.0 million and P\$0.5 million for Telecom Argentina and Personal, respectively. The loss was recognized in Financial results, net against Trade payables.

Also during 2012, Personal entered into several NDF contracts to purchase a total amount of US\$6.4 million maturing in September 2012 in order to hedge its exposure to US dollar fluctuations related to accounts payable. These NDF agreements were regarded as cash flow hedges, but these did not comply with effectiveness requirements.

Indebtedness of Subsidiaries

Núcleo. As of December 31, 2013, Núcleo's outstanding debt is denominated in Guaraníes and amounted to approximately P\$235 million. Additional information is set forth in Note 12 to our Consolidated Financial Statements.

Liquidity

The liquidity position for each of Telecom Argentina, Personal and Núcleo is and will be significantly dependent on each individual company's operating performance, its indebtedness, capital expenditure programs and receipt of dividends, from its subsidiaries, if any.

We expect that our cash flow from operations will be sufficient to permit Telecom Argentina and its subsidiaries to satisfy their respective indebtedness and other cash requirements in the near to medium term.

Our ability to generate sufficient cash from our operations in order to satisfy our indebtedness and capital expenditure needs may be affected by macroeconomic factors influencing our business, including, without limitation: the exchange rate of Argentine Pesos to U.S. dollars; rates of inflation; and the achievement of ultimate rates adjustments for regulated services in the Fixed Services segment, among others. These factors are not within our control. The statements expressed in the preceding paragraphs constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties, including those described in this

Annual Report in Item 3 Key Information Risk Factors. Actual results may differ materially from our expectations described above as a result of various factors.

Telecom Argentina is able to distribute dividends up to the limit of retained earnings determined under Argentine Corporations Law. As provided by CNV Resolution No. 609/12, positive retained earnings generated by the mandatory adoption of IFRS as from January 1, 2012, should be reassigned to a Special Reserve that can only be utilized for its capitalization or to absorb negative retained earnings. Positive retained earnings generated by the application of IFRS in Telecom Argentina's 2012 statutory financial statements amounted to P\$370 million, of which P\$19 million were allocated to Legal Reserve and P\$351 million were assigned to the Special Reserve established by CNV Resolution No. 609/12, as approved by the Ordinary Shareholders Meeting held on May 21, 2013 (second tranche).

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Telecom Argentina's Board of Directors, at their meeting held on March 14, 2014, called a shareholders' meeting to be held on April 29, 2014, to consider among other issues the allocation of Telecom Argentina's retained earnings as of December 31, 2013. The Board proposed to allocate P\$1,202 million (P\$1.24 per outstanding share) for distribution of cash dividends in two equal installments of P\$601 million each, the first one to be paid on May 8, 2014 and the second one during September 2014.

The General Ordinary Shareholders' Meeting of Telecom Argentina of April, 23, 2013 adjourned to May 21, 2013, approved the allocation of P\$1,000 million to a Reserve for Future Cash Dividends. The Shareholders' Meeting resolved to delegate to the Board of Directors the powers to determine the allocation of the Reserve for Future Cash Dividends.

On December 13, 2013, the Board of Directors decided to determine the total withdrawal and distribution to Shareholders of the Reserve for Future Cash Dividend in the amount of P\$1,000 million. The amount distributed was equivalent to P\$1.03182179 per outstanding share or P\$5.15910896 per ADR, prior to deductions of the Personal Asset Tax and Income Tax obligations. The dividends were made available from December 27, 2013. Dividends were not paid nor reserved to Treasury shares.

As of December 31, 2013, Telecom Argentina and its consolidated subsidiaries had approximately P\$5,224 million in cash and cash equivalents. Of this amount, approximately P\$1,662 million of cash and cash equivalents was held by Telecom Argentina on a stand-alone basis. Telecom Group has approximately P\$63 million of restricted cash in connection with legal proceedings. Such restricted cash has been classified as Other Receivables, net on our balance sheet.

Capital Expenditures

We estimate that our capital expenditures for 2014 will be approximately P\$5.6 billion (P\$4.3 billion in tangible assets and P\$1.3 billion in intangible assets, particularly SAC). The main investment projects of the Telecom Group in the Fixed Service Segment are related to the reconversion of the network architecture, which involves the replacement of copper by fiber optics in different points (FTTC or fiber connection in the connection lockers, FTTB or fiber in buildings and FTTH or fiber in homes), with the aim of improving the commercial offer and the Internet user experience. The evolution towards new technology helps to optimize the quality of service in terms of stability and availability. In the Mobile Service Segment, we continue with the reconversion technological network plan, mainly through the installation of a second 3G carrier nationwide, which optimizes mobile services in order to have greater speed and capacity accompanying the growth in demand for data traffic. We expect to continue increasing the 3G network capacity to optimize the use of the available spectrum.

See Item 3 Key Information Risk Factors We operate in a competitive environment, that may result in a reduction in our market share in the future. We expect to finance our capital expenditures through cash generated through our operations and cash on hand; therefore, our ability to fund these expenditures is dependent on, among other factors, our ability to generate sufficient funds internally. Telecom Argentina's ability to generate sufficient funds for capital expenditures is also dependent on its ability to increase its regulated rates, since the cost of imported materials may increase in peso terms (as a result of the decline in the peso/U.S. dollar exchange rate and higher inflation).

Related Party Transactions

During 2013, we entered into certain transactions with our indirect shareholders Telecom Italia and W de Argentina Inversiones or their affiliates in the ordinary course of business. For a description of these transactions see Item 7 Major Shareholders and Related Party Transactions Related Party Transactions.

Taxes

Turnover Tax

Under Argentine tax law, Telecom is subject to a tax levied on gross revenues. Rates differ depending on the jurisdiction where revenues are earned for tax purposes. Rates in effect ranged from 2.5% to 8.0% for the years ended December 31, 2013, 2012 and 2011, depending on the jurisdiction or goods and services subject to the tax.

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Table of Contents*Income Tax*

Our income tax rate is currently 35% of net taxable income for the companies located in Argentina, 10% for Núcleo, 25% for Springville and 34% for Telecom Argentina USA. The amount of income subject to tax is calculated according to tax regulations which contain a different methodology for calculating net taxable income than the methodology used for the preparation of our Consolidated Financial Statements under IFRS. The differences between the methodology of computing income under the tax regulations and under IFRS make it difficult to determine the taxable net income from our income statements. For instance, some deductions from income normally accepted for accounting purposes are not deductible and, accordingly, must be added back to income for tax purposes.

Prior to September 23, 2013, cash dividends, property or capital stock of Telecom Argentina were, in general, exempt from Argentine withholding tax and other taxes. As of September 23, 2013 dividend distributions and gains derived from transfers of stocks of Argentine companies are subject to income tax. See Item 10 Additional Information Taxation Argentine Taxes.

Additionally, under Argentine Income Tax Law, a corporation that makes a distribution of dividends to its shareholders in excess of the amount of its accumulated net taxable income at the close of the previous taxable year, as determined by application of the Argentine Income Tax Law, shall have to withhold a 35% tax from such excess. This withholding income tax is known as the equalization tax. See Item 10 Additional Information Taxation Argentine Taxes Taxation of Dividends.

Tax on cash dividends received from a foreign subsidiary is calculated according to the statutory income tax rate. As per Paraguayan tax law, an additional income tax rate of 5% is imposed on dividends that are paid. Additionally, under such law, when dividends are being paid to foreign shareholders, there is an additional income tax rate of 15%, which is deducted from the amounts which are paid to such shareholders. As per Argentine tax law, income tax paid abroad is recognized as tax credit.

Net losses can generally be carried forward and applied against future taxable income for five years.

Thin Capitalization Rules

Argentine Law No. 25,784, modified the limitation on the deduction of interest expense by stating that the limit will only be applied to interest expense on debt owed to non-resident entities that control the borrowing entity (except for interest expense subject to the 35% withholding tax) in proportion to the amount of debt that exceeds by two times the company's equity, and the excess of interest over this ratio will be treated as dividend payments. During fiscal years 2013, 2012 and 2011, Telecom's deduction of interest expenses was not limited because Telecom was able to meet the conditions required for such deduction.

Tax on Minimum Presumed Income

Our companies located in Argentina are required to pay an amount equal to the greater of the income tax or the tax on minimum presumed income. The tax on minimum presumed income is computed based on 1% of the value of our assets. The value of our assets is determined in accordance with the criteria established under the tax laws. The amount of any income tax paid during the year may be applied against the tax on minimum presumed income that would be payable in such year. The amount of any tax on minimum presumed income paid in excess of the income tax for such year may be carried forward for a period of up to ten years. This excess may be treated as a credit to be applied against the income tax payable in a future year to the extent the tax on minimum presumed income for the year does not exceed income tax payable for such future year. During fiscal years 2013, 2012 and 2011, income tax

was higher than tax on minimum presumed income. Shares and other equity participations in companies subject to the tax on minimum presumed income are exempt from the tax on minimum presumed income.

Value Added Tax (VAT)

VAT does not have a direct impact on our results of operations. VAT paid by us to our suppliers is applied as a credit toward the amount of VAT charged by Telecom to its customers and the net amount is passed through to the Argentine government. VAT rates are 21%, 27% and 10.5%, depending on the type of the transaction and tax status of the customer.

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The import of services (including financial services) by Argentine VAT taxpayers registered for VAT purposes, or *responsables inscriptos*, such as the Company, is subject to VAT. In the case of loans, if the lender is a bank or a financial entity located in a country whose central bank has adopted the Banking Supervision Standards of the Basel Committee, the rate is 10.5%. If the foreign lender is one other than those mentioned above, the rate is 21%.

The burden of paying VAT is borne by the Argentine taxpayer.

Tax on Deposits to and Withdrawals from Bank Accounts

The tax on deposits to and withdrawals from bank accounts under Law No. 21,526 applies to certain deposits to and withdrawals from bank accounts with Argentine financial institutions and to other transactions that, due to their special nature and characteristics, are similar or could be used in lieu of a deposit to or withdrawal from a bank account. Therefore, any deposit to or withdrawal from a bank account opened in an institution regulated by Law No. 21,526, or any transaction deemed to be used in lieu of a deposit to or withdrawal from a bank account, is subject to the tax on deposits and withdrawals unless a particular exemption is applicable. The tax rate in effect since August 1, 2001 has been 0.6% of the transaction volume.

During 2013, 2012 and 2011, we charged to our income statement P\$258 million, P\$216 million and P\$166 million, respectively, of this tax.

On February 6, 2003, the Ministry of Economy and Public Finance, through General Resolution No. 72/03, authorized us to increase the Basic telephone services rates by the amount of the tax on deposits to and withdrawals from bank accounts as provided for in General Resolution No. 72/03. The amount of the tax charged must be shown in detail on the customers' bills. The amounts charged before General Resolution No. 72/03 were approximately P\$23 million. This amount was subsequently corroborated by CNC audits, resulting in a receivable for the Company for P\$23 million which was recorded under Other receivables during 2007. That receivable can be offset with existing and/or future regulatory duties. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Rate Regulations Tax on deposit to and withdrawals from bank accounts (IDC).

Decree No. 534/2004 provides that owners of bank accounts subject to the general tax rate of 0.6% may take into account as a tax credit 34% of the tax originated in credits on such bank accounts. This amount may be computed as a credit for the Income Tax and Tax on Minimum Presumed Income. The amount computed as a credit is not deductible for income tax purposes.

Tax on Personal Property

Argentine Law No. 25,585, as amended by Law No. 26,317, imposes a tax on shares of stock corporations, such as Telecom Argentina's ADSs and the Class A, B and C Shares. See Item 10 Additional Information Taxation Argentine Taxes Tax on Personal Property.

The tax rate applied is 0.50%. This tax is computed based on the value of the shareholders' equity as stated on the most recent annual balance sheet of Telecom Argentina. Although Telecom Argentina is required to pay this tax on behalf of the holders of its ADSs, Class A, B and C Shares, it has the right to obtain reimbursement of the amounts paid from its shareholders, even if this requires holding and/or foreclosing the property on which the tax is due. As a result, until shareholders reimburse Telecom Argentina for the amounts paid on their behalf, the payment of this tax constitutes a receivable for Telecom Argentina.

Telecom Argentina has, from time to time, requested that its shareholders reimburse the amounts of tax on personal property paid on their behalf and has received partial reimbursement of such taxes. The amount paid by Telecom Argentina and pending collection from its shareholders as of December 31, 2013, was approximately P\$29 million, of which P\$18 million are included in the allowance for doubtful accounts, based on the recoverability assessment made by Telecom Argentina. Whenever applicable, tax on personal property paid on behalf of Telecom Argentina's shareholders is deducted from the cash dividend payment.

Other Taxes and Levies

We are subject to a levy of 0.5% of our monthly revenues from telecommunications services. The proceeds of this levy are used to finance the activities of the Regulatory Bodies. The amount of this levy is included in our consolidated income statement within Taxes and fees with the Regulatory Authority.

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Law No. 25,239 imposes a tax on Personal of 4% (tax on mobile and satellite services) of amounts invoiced excluding VAT but including the excise tax, which results in an effective tax rate of up to 4.167%.

Law No. 26,539 amends the excise tax and establishes that the importation and sale of technological and computer goods, including mobile phones, is subject to the excise tax at a rate of 17%, resulting in an effective tax rate of up to 20.48%, effective from December 1, 2009.

Since the beginning of 2001, telecommunication services companies have been required to pay a Universal Service tax to fund Universal Service requirements. The Universal Service tax is calculated as a percentage of the total revenues received from the rendering of telecommunication services, net of taxes and levies applied on such revenues, excluding the Universal Service tax. The rate is 1% of total billed revenues. See Item 4 Information on the Company Regulatory Framework Decree No. 764/00.

Law No. 26,573, which was regulated in 2010, imposes a levy of 1% of the monthly revenues from telecommunication services, excluding prepaid services, which must be collected from the customers. The proceeds of this levy are used to finance the activities of the Ente Nacional de Alto Rendimiento Deportivo ENARD (National Board of High Performance Sport).

Research and Development, Patents and Licenses, etc.

None.

Trend Information

In 2013 we consolidated our position in each of our business segments. In particular, we highlight the following:

An expansion in the number of mobile subscribers reaching 22.5 million, and Internet accesses, reaching 1.7 million (equivalent to 41% of fixed lines in service). Otherwise, the number of fixed lines in service remained at similar levels to the previous year, reaching 4.1 million. As a result, our consolidated revenues increased by 23% reaching P\$27,287 million. Our service revenues represented 88% of consolidated revenues and grew by 20% as compared to 2012.

Our capital expenditures amounted to P\$4,851 million in 2013, equivalent to 18% of consolidated revenues. These investments consisted of 44% for Fixed services segment, 49% for Personal mobile services and 7% for Núcleo mobile services.

An improvement in economic results as compared to 2012: +14% in operating income and +19% in net income. The return on Shareholders' Equity at the beginning of the year was 32% annually.

Cash from operating activities allowed Telecom Argentina to increase the level of capital expenditures without incurring financial indebtedness, even after distributing dividends in the amount of P\$1,000 million.

In 2014 we expect the prospects for fixed line services to continue in line with the trend experienced in recent years as a result of the market maturity. Our Arnet Broadband business is well-positioned to continue to capture market opportunities.

With regard to prices, in the Fixed Services segment, the implementation of the Letter of Understanding of March 6, 2006 executed with the National government is still pending and the rate adjustments of regulated services is also not yet implemented. Both would restore Telecom Argentina's financial and economic equation. Constant pressures on the Company's cost structure accentuate this need.

Review of the mechanism of contribution to SU Fund and the compensation for incumbent operators of economic and financial losses incurred in services rendered since 2001, to give access to basic services to low-income individuals and those in areas not currently covered by fixed and mobile telecommunication services, is still pending. We also expect the definition of new criteria for mobile operators, who have not reached the maximum radio spectrum prescribed by regulation, to increase

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their range, so as to make feasible the provision of mobile services with the quality that investments in infrastructure allow. We expect that the regulatory authority will continue working with operators as well as municipalities to enable operators to install the necessary sites to improve their network coverage.

The mobile business is expected to continue gaining market share in value and in subscriber base although at lower rates than those of recent years. Value Added Services, especially mobile Internet, continue to be one of the key sources of revenue growth (in 2013 Value Added Services accounted for about 58% of service revenues). We expect to expand our share of the youth segment through the social media strategy and through brand association with music, by developing music festivals that integrate our brands throughout the country.

During 2014, Personal will continue to work on expanding the mobile Internet experience, through the technological reconversion of the national network and the satisfactory resolution regarding the need of additional spectrum.

Coverage expansion and speed access improvement to 3G and HSPA+ networks with the more complete portfolio of advanced mobile devices will be the driver of revenues. The opportunity to grow in data capacity will come from the network evolution to 4G, once the spectrum availability enables its development.

The growth will be based on three factors: the innovative and active role of operators in the evolution of the industry value chain; the ability to develop mobile Internet and promote a satisfactory customer experience by providing access to the digital world through any device; and the ability to empathize with customers providing them a high quality of customer care. To provide customers with new and better services, the Telecom Group will continue with its investment plans that are expected to require expenditures in 2014 of approximately 17% of the estimated revenues for 2014. Telecom Argentina's investments will focus on growth of Broadband, new Value Added Services initiatives in the fixed business, provision of infrastructure to mobile operators and modernization of commercial and support systems. Personal will enhance its network infrastructure by expanding coverage of its 3G and HSPA+ technology and bandwidth for mobile data transmissions and commercial systems improvements.

The strategy implemented by the Company's Management and described in this Annual Report sets forth the basic standards that Management believes 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. Our investment plans are based on this future vision and on the commitment of the Telecom Group to our country and its people.

The statements expressed in the preceding paragraphs constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties, including those described in this Annual Report in Item 3 Key Information Risk Factors. Actual results may differ materially from our expectations described above as a result of various factors.

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Our consolidated contractual obligations and purchase commitments as of December 31, 2013 were as follows:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(in million of Argentine Pesos)				
Debt obligations(1)	31	113	159		303
Operating lease obligations	372	375	149	71	967
Purchase obligations(2)	4,112	89	67	122	4,390
Other long-term liabilities(3)	94	93	53	70	310
Total	4,609	670	428	263	5,970

(1) Includes P\$68 million of future interest.

(2) Other than operating lease obligations.

(3) Includes voluntary retirement program, pension benefits and other long-term payables.

Off-Balance Sheet Arrangements

None.

Safe Harbor

See the discussion at the beginning of this Item 5 and **Forward-Looking Statements** in the introduction of this Annual Report, for forward-looking statement safe harbor provisions.

Table of Contents**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****The Board of Directors**

Management of the business of the Telecom Group is vested in the Board of Directors. Telecom Argentina's bylaws provide for a Board of Directors consisting of no fewer than three and no more than eleven directors and up to the same or a lower number of alternate directors. As of the date of this Annual Report, Telecom Argentina has eleven directors and ten alternate directors. Six of the directors and six of the alternate directors qualify as independent directors under SEC regulations. Five of the directors and five of the alternate directors also qualify as independent directors under CNV rules. According to Telecom Argentina's bylaws, the Board of Directors has all of the required authority to administer the corporation, including those for which the law requires special powers. The Board operates with a quorum of the absolute majority of its members and resolves issues by simple majority of votes present. According to Telecom Argentina's bylaws, the Chairman has a double vote in the case of a tie. Under CNV regulation, in order to be independent, a director must neither be employed by, nor affiliated with, Telecom Argentina, Nortel, Sofora, the Telecom Italia Group or W de Argentina Inversiones. Directors and alternate directors are normally elected at annual ordinary general meetings of the shareholders and serve a renewable three year term.

Because a majority of shares are owned by Nortel, Nortel as a practical matter may have the ability to elect the majority of directors and alternate directors. In the absence of a director, the corresponding alternate director may attend and vote at meetings of the Board of Directors.

See Item 7 Major Shareholders and Related Party Transactions Shareholders Agreement for a description of certain agreements relating to the appointment of members of the Board of Directors.

The following table lists the directors and alternate directors of Telecom Argentina as of December 31, 2013 and, otherwise mentioned, as of the date of this Annual Report:

Name	Position	Date Director became a Member of the Board
Enrique Garrido	Chairman of the Board of Directors	April 27, 2007
Gerardo Werthein	Vice Chairman of the Board of Directors	December 19, 2003
Andrea Mangoni	Director	November 30, 2010
Gianfranco Ciccarella	Director	December 9, 2013(1)
Francesca Petralia	Director	April 23, 2013
Piergiorgio Peluso	Director	April 23, 2013
Enrique Llerena	Director	April 23, 2013
Esteban Gabriel Macek	Director	April 27, 2007
Federico Horacio Gosman	Director	April 23, 2013
Esteban Santa Cruz	Director	November 30, 2010
Mariana Laura Gonzalez	Director	April 23, 2013
Aldo Raúl Bruzoni	Alternate Director	April 23, 2013
Jorge Alberto Firpo	Alternate Director	April 23, 2013
Lorenzo Canu	Alternate Director	April 23, 2013
Jorge Luis Pérez Alati	Alternate Director	November 30, 2010
María Virginia Genovés	Alternate Director	April 23, 2013
Eduardo Federico Bauer	Alternate Director	April 27, 2007

Pablo Alberto Gutierrez	Alternate Director	November 30, 2010
Eduardo Pablo Guillermo Setti	Alternate Director	April 23, 2013
Juan Massolo	Alternate Director	April 23, 2013
Verónica Daniela Alvarez	Alternate Director	April 23, 2013

(1) On December 9, 2013 Gianfranco Ciccarella was appointed director by the Board of Directors, replacing Patricio Graziani who had resigned.

Enrique Garrido is a lawyer. He served as a director of Telecom Argentina during fiscal year 2007 and was appointed as Chairman of the Board of Directors on April 29, 2008. He was reelected Chairman of the Board of Directors of Telecom Argentina on November 30, 2010. He is Director of Sofora. He is also a member of the Supervisory Committee of La Estrella S.A. Compañía de Seguros de Retiro. He was born on June 7, 1937.

Gerardo Werthein is a veterinarian. He was director of Personal since December 2003 until April 10, 2013. Since that date he is alternate director of Personal. He is Chairman of Caja de Seguros S.A., La Caja de Seguros de Retiro S.A. and Haras El Capricho S.A. He is also Chairman of Comité Olímpico Argentino. He is a member of the International Olympic Committee. He is Vice Chairman of Ente Nacional de Alto Rendimiento Deportivo and La Estrella S.A. Compañía de Seguros de Retiro. He is a director of Gregorio, Numo y Noel Werthein S.A., Los W S.A., and Caja de Ahorro y Seguro S.A. He was born on December 3, 1955.

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Andrea Mangoni has been graduated from the University of Rome in 1988 with a thesis on valuation and private financing of investments in public infrastructures. Since July 2013, he is Chairman and Chief Executive Officer of Sorgenia S.p.A.; he is also member of the Board of Directors of Prelios SpA and Fincantieri SpA. Previously, he has been Managing Director for South America of Telecom Italia from August 2012 to March 2013. Until August, 2012 he was responsible for Administration, Finance and Control and International Development in Telecom Italia. Mr. Mangoni joined the Telecom Italia Group on July 1, 2009, as Chairman of Telecom Italia Sparkle (from July 2009 to July 2010) and as Director of International Business at Telecom Italia S.p.A. From 1996 to March 2009 he worked in Acea, where he was appointed Chief Executive Officer in November 2003; from March 2003 to November 2003 he was General Manager of Acea; from June 2001 to February 2003, he was Chief Financial Officer, responsible for strategies, finance, budget, economic planning and control, investor relations of Acea; in 2002 he was appointed common representative of the Joint Venture among Acea, Electrabel and Energia Italiana which brought to the acquisition of Interpower, the third generation company sold by Enel; from January 2000 to May 2001 he was Strategic Planning Director of Acea; from January 1998 to December 1999 he worked as manager of the Finance Department of Acea, where he was responsible of strategic planning; from 1996 to 1997 he was President Assistant, responsible for the transformation process of Acea from municipal company into share capital company. Mr. Mangoni worked for InterAmerican Development Bank (IDB). Mr. Mangoni was born in Terni, Italy on June 5, 1963.

Gianfranco Ciccarella holds a University Degree in Electrical Engineering and, at present, is responsible for Global Advisory Services within Technology Department in Telecom Italia S.p.A. Previously he held various positions in Telecom Italia S.p.A. as Vice President of several departments: Technical Support for the South America Region, Next Generation Access Networks and Partnerships in the Strategy Department (from April 2011 to February 2013), Technical Support in the Technology and Operations Department (from December 2009 to March 2011); Network and IT, Telecom Italia Sparkle. From 1998 to 2009 he was appointed to drive the design, deployment and operations of the Telecom Italia international network. Mr. Ciccarella is a member of the board of directors of a number of companies within the Telecom Italia Group. He is Director of the Post Graduate Training & Technical Department at the Scuola Superiore Guglielmo Reiss Romoli in L Aquila. He also carried out research and teaching activities in the Electrical Engineering Department at the University of L Aquila, as well as at New York Polytechnic University where he was Adjunct Associate Professor. Mr. Ciccarella was born in L Aquila, on January 30, 1952.

Francesca Petralia serves as at Telecom Italia S.p.A. as head of International Legal Affairs. Previously she was head of Corporate and Legal Affairs in South America (February 2013 to February 2014). After graduating in Law, she began her career in 1978 as in-house counsel in Fiat Auto S.p.A., Grandi Lavori S.p.A. and Selenia Industrie Elettroniche Associate S.p.A. She joined Telecom Italia S.p.A. in 1990, focusing on international legal affairs. From 2002 to 2011, she was head of Corporate Finance Legal Affairs within the Legal Department. Subsequently, she acted as Group Compliance Officer until February 2013. Ms. Petralia is a member of the Board of Directors of the South American companies TIM Participações S.A., TIM Brasil Serviços e Participações S.A. and Sofora Telecomunicaciones S.A., as well as of the holding Telecom Italia International N.V. in The Netherlands. Mrs. Petralia was born in Bologna, Italy, on August 30, 1953.

Piergiorgio Peluso. Since September 26, 2012. Mr. Peluso has been Head of Administration, Finance and Control at Telecom Italia. After graduating with a degree in Economic and Social Sciences from the Università Commerciale Luigi Bocconi in 1992, with a specialization in Finance, from 1992 to 1994 he held the position of experienced accountant at Arthur Andersen & Co. Following a period at Mediobanca as Senior Financial Analyst (1994-1998) and with Credit Suisse First Boston as Vice President of Financial Institutions Group (1998-2000) and Mergers & Acquisitions Group (2000-2001), in 2002 he joined Medio Credito Centrale S.p.A. (Capitalia Group) as Central Director Advisory Area. He retained this position until 2005, when he was appointed Central Director at Capitalia S.p.A. From 2007 to 2009, following the merger of Capitalia S.p.A. and UniCredit Group S.p.A., he was Head of Investment Banking Italy at UniCredit Group S.p.A. In 2009 he was appointed CEO of UniCredit Corporate Banking

S.p.A. Following the merger of UniCredit Corporate Banking S.p.A. with UniCredit S.p.A., in 2010 he was appointed Head of Corporate & Investment Banking Italy, UniCredit Group. From 2011 to September 2012 he was Managing Director of Fondiaria SAI S.p.A. He is a non-executive member of the Board of Directors of TIM Participacoes S.A. since April 11, 2013. Mr. Peluso is also member of the Board of Directors of Telecom Italia Media S.p.A., Telecom Argentina S.A. and Fondazione Telecom Italia. Mr. Peluso was born in Rome on March 25, 1968

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Enrique Llerena is a lawyer with a degree from Pontificia Universidad Católica Argentina Santa María de los Buenos Aires. He is a Director of Tradelog SA and an Alternate Director of SZ Consultores en Arte S.A. He was born on April 9, 1955.

Esteban Gabriel Macek is a public accountant. He is Chairman of Fiduciaria Internacional Argentina S.A. He is a director of Inmobiliaria Madero S.A. He is also an alternate member of the Supervisory Committees of Visa Argentina S.A. and Prisma S.A. He was born on November 8, 1960.

Federico Horacio Gosman is a director of Metrovías S.A. and Consultatio S.A. Presently, he is Coordinator of the Dirección Nacional de Empresas con participación del Estado (National Direction of Corporations with government participation), in the Ministry of Economy and Public Finance. He served as assistant professor of *Historia del Pensamiento Económico* at the Universidad de Buenos Aires and he held research activities in the CEPLAD (Economic research institute of the Universidad de Buenos Aires). He worked as consultant in Rational Technologies and IBM. He was a member of the EDENOR Board of Directors. He graduated from the Universidad de Buenos Aires as an economist. He was born on May 19, 1983.

Esteban Santa Cruz holds a degree in Economics from the Universidad de Buenos Aires and a Masters Degree in Finance from the Universidad Di Tella. He is currently the Financial Director of the ANSES. He was Manager of Financial Asset Strategy at Fondo de Garantía de Sustentabilidad (FGS-ANSES). He previously worked at Banco Hipotecario and Asociart ART. He was born on August 20, 1979.

Mariana Laura González, holds a degree in Economics and a Magister in Economics, both from the Universidad de Buenos Aires. Also, she has a Masters Degree in Social Sciences from the Facultad Latinoamericana de Ciencias Sociales (FLACSO). She is currently the Undersecretariat of Economic Coordination and Improvement of Competitiveness of the Ministry of Economy and Public Finance. She was born on February 13, 1976.

Aldo Raúl Bruzoni holds a degree in Business Administration. He has served as a director of Sofora Telecomunicaciones S.A. since 2010 and an alternate director of Telecom Argentina. He served as a director of Personal from 2008 up to 2010. He is also an alternate director of TGLT S.A. He was born on March 30, 1950.

Jorge Alberto Firpo is an electrical engineer and a graduate of the Universidad Tecnológica Nacional. Since 2005, he has served as a director in Telecom Group companies. Presently, he is an alternate director in Telecom Argentina and Personal and a director in Telecom Argentina USA. Also, he serves as an alternate director in Tierra Argentea S.A. Since 2001, he has worked as Southamerica Supplier Director in Telecom Italia Latam, Brasil. From 1977 until 2001, he had assumed different positions in Pirelli Cables in Brasil and Italia. He was professor in high school and in universities. He was born on April 17, 1954.

Lorenzo Canu holds a University Degree in Law. Since 1997 he has been in charge of management of corporate affairs of the international subsidiaries of the Telecom Italia Group, within the Legal Affairs Department of Telecom Italia S.p.A. Mr. Canu is a member of the Board of Directors of Sofora Telecomunicaciones S.A., Nortel Inversora S.A. and Telecom Personal S.A. Mr. Canu was born in Rome on January 30, 1963.

Jorge Luis Pérez Alati is a lawyer. He is Chairman of the Board of Directors of In Store Media Argentina S.A., Inversiones Alumine S.A., Inversiones Aluquina S.A., Inversiones Los Alpes S.A., Inversiones Meliquina S.A., ISDIN Argentina S.A., La Papelera del Plata S.A., Nogal Central S.A., Pilar del Este S.A., Alpe S.A.C.I.F.I.A. and Solcan S.A. He is Vice Chairman of TMLUC Argentina S.A., Puig Argentina S.A., Lan Argentina S.A. and Inversora Cordillera S.A. He is a director of Aluflex S.A., Herbalife International Argentina S.A., Young & Rubicam S.A., Chipirón S.A., CMPC Inversiones de Argentina S.A., Cork Supply Argentina S.A., Fabi Bolsas Industriales S.A.,

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Honda Motor de Argentina S.A., Inesa Argentina S.A., Inversiones Los Andes S.A., Ivax Argentina S.A., Media Planning S.A., Havas Sports Argentina S.A, and LDC Argentina S.A. and an alternate director of Avex S. A., Arbumasa S.A., Burson Marsteller S.A., Wunderman Cato Johnson S.A., Arena Argentina S.A., Co. Fru. Va S.A., Harvest S.A., Bodegas Caro S.A., Cerámica San Lorenzo I.C.S.A., Media Contacts Argentina S.A., Proximia Havas Argentina S.A., Sociedad Alpe S.A., Salfa

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Construcciones Trasandinas S.A, Marina Holding S.A., Navieras Americanas, S.A. and Telecom Argentina. He is a member of the Supervisory Committees of Banco Santander Río S.A., BRS Investment S.A., Distrilec Inversora S.A., Edesur S.A., ISBAN Argentina S.A., Calyx Siembre S.A., Calyx Tierra S.A., Quickfood S.A., Santander Río Servicios S.A., Portal Universia Argentina S.A., Perevent Empresa de Servicios Eventuales S.A., Santander Río Seguros S.A., Santander Río Trust S.A., Santander Merchant S.A. and Santander Río Sociedad de Bolsa S.A. He was born on September 14, 1954

María Virginia Corina Genoves is an accountant with a degree from the Universidad de Buenos Aires. She works as an external tax and accounting consultant for companies or individuals. Previously, she worked as an external auditor and as a consultant specializing in costs, taxes and process redesigning for optimization of resources. She developed budgets for a variety of market companies. She was born on June 11, 1964.

Eduardo Federico Bauer is a lawyer. He is Vice Chairman of the Board of Directors of Nortel and Micro Sistemas. He is a director of Sofora and an alternate director of Personal, Caja de Seguros S.A., La Caja Aseguradora de Riesgos del Trabajo ART S.A., La Caja de Seguros de Retiro S.A., La Estrella S.A. Cía. de Seguros de Retiro, Ritenere S.A. and Pluria Productores de Seguros S.A. He was born on January 14, 1950.

Pablo Alberto Gutiérrez is a public accountant. He is an advisor for many companies. He is director of Fiduciaria Internacional Argentina S.A. He is Vice Chairman of CAFIDAP Cámara Argentina de Fideicomisos y Fondos de Inversión Directa en Actividades Productivas. He was born on January 4, 1968.

Eduardo Pablo Guillermo Setti holds a degree in Economics from the Universidad de la Empresa (UADE). Since February 2012, he is General Investment Director in ANSES Fondo de Garantía de Sustentabilidad- and had previously served as Strategy Financial Assets Director and Financial Consultant. He worked as Planning Director in the Ministry of Infrastructure of the Province of Buenos Aires and as Secretary of Production in the *Secretaría de Desarrollo Económico y Producción* of the Municipality of Zárate, Province of Buenos Aires. He is a director of Pampa Energía S.A., Empresa Distribuidora y Comercializadora Norte S.A., Metrovías S.A. and Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. He is an alternate director in Telecom Argentina and in Gas Natural Ban S.A. He was born on February 16, 1971.

Juan Massolo holds a degree in Economics from the Universidad de Buenos Aires and a Master's degree in Microfinance and Social Development from the Centro Internacional de Formación Financiera (CIFF)-Universidad de Alcalá. He currently works at Dirección Nacional de Empresas con participación del Estado (National Direction of Corporations with government participation) of the Ministerio de Economía y Finanzas Públicas de la Nación. He is also an alternate director of Metrovías S.A. and Grupo Concesionario del Oeste S.A. Previously, he worked at Accenture, United Nations Development Programme (UNDP) and Instituto Nacional de Servicios Sociales para Jubilados y Pensionados (PAMI). He was also an assistant professor of economics at the FCE-UBA. He was born on December 3, 1982.

Verónica Daniela Alvarez holds a degree in Economics from the Universidad de Buenos Aires, she conducted activities of specialization in legislative budgets forming part of the working group responsible for managing the budget of the *Convención Constituyente Nacional* and the *Convención Constituyente* of the City of Buenos Aires. She was Chief of Budget Department before being Chief of Purchasing Department in the *Cámara de Diputados*. In the *Secretaría de Política Económica y Planificación del Desarrollo* of the Ministry of Economy and Public Finance, she worked as a consultant in management issues. Presently, she is the General Legal and Administrative Coordinator of the *Secretaría Legal y Administrativa* of the Ministry of Economy and Public Finance. She is also a director in Ferrosur Roca and an alternate director in Telecom Argentina and in the Banco Hipotecario. She was born in September 21, 1964.

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As of December 31, 2013, the Telecom Group's senior Management team includes the individuals listed below. Unless otherwise noted, these individuals are members of the Telecom Group's senior Management as of the date of this Annual Report.

Name	Position(1)	Date of Designation
Stéfano de Angelis	Chief Executive Officer	February 2013
Gonzalo A. Martínez	Director of Regulatory Affairs	April 2012
Guillermo O. Rivaben(2)	Director of Mobile Telephony	May 2010
Marcelo E. Villegas	Director of Human Capital	August 2008
Adrián Calaza	Chief Financial Officer	August 2009
Patrizio Graziani	Director of Procurement	November 2013
Alejandro D. Quiroga López	Director of Legal Affairs	June 2011
Ricardo Luttini	Director of Audit	April 2007
Máximo D. Lema	Director of Wholesale	June 2010
Paolo Perfetti	Director of Network	November 2012
Anibal Gómez	Director of Fixed Telephony	March 2013
Mariano Cornejo	Director of Communications and Media	June 2007
Eduardo M. Etcheverry	Director of Information Services	December 2012
Paolo Chiriotti(3)	Director of Corporate Security	August 2012

- (1) The designation of Director does not imply that the officers mentioned above are members of the Board of Directors of Telecom Argentina, which is composed of the persons stated in the Directors, Senior Management and Employees The Board of Directors above. The terms of office of Telecom's Senior Management are contractual in nature. Such contracts do not include a specified expiration date.
- (2) Guillermo O. Rivaben served as Director of Mobile Telephony until February 6, 2014. Since that date until February 27, 2014, the position was held by Stéfano de Angelis on an interim basis.
- (3) Paolo Chiriotti served as Director of Corporate Security until January 15, 2014. Since that date, the position has been held by Stéfano de Angelis on an interim basis.

Stefano de Angelis holds a degree in Economics and Business Administration from Università degli Studi La Sapienza, Rome, Italy and also an MBA from Scuola di Amministrazione Aziendale dell'Università di Torino, Italy. He was appointed as Chief Executive Officer of the Telecom Group in February 2013. From September 2007 until February 2013 Mr. De Angelis was Director of Administration, Planning and Control in Telecom Italia S.p.A. Before that, he was the Chief Financial and Investor Relations Officer of TIM Participações S.A. between 2006 and 2007. He also served as Chief Administration, Finance and Control Officer of the TIM Companies in Brazil since July 2004. Between 2002 and 2004, he was responsible for the planning and controlling operations of Telecom Italia Mobile S.p.A. in Italy. Mr. De Angelis also worked in the Consodata Group Ltd, H.M.C. S.p.A., Stet S.p.A. and at Fiat Geva. S.p.A. He is member of the Board of Directors of TIM Participações S.A. He was born on August 22, 1967.

Gonzalo A. Martínez is a telecommunications engineer, graduated from La Plata University. He joined Telecom Argentina in 1991. Mr. Martínez has served in different roles at Telecom, such as Products and Services Development Manager, Corporate and Large Customers Manager and Support Manager on Regulation for Operative and Commercial Direction. In 2001, he was appointed Manager of Regulatory Affairs for fixed telecommunication operation and in 2007 as Regulatory Assurance Director of mobile and fixed operations. In 2012 he was appointed

Regulatory Affairs Director of Telecom Argentina. Before joining Telecom Argentina, Mr. Martínez worked at the SADE-Perez Compac Group, in areas of engineering and construction telecommunications projects until 1987, when he was appointed as Business Manager of Micro Sistemas S.A. In 1988, he became Plant Manager of this informatics technology company. He was born on February 12, 1954.

Guillermo O. Rivaben holds a degree in electronic engineering from the Universidad de Buenos Aires and has over 19 years experience as senior manager and consultant in the Latin America telecommunications market with strong expertise in mobile services, integrated broadband corporate services, international business relationships and strategic planning. He joined Personal in 1995 as Marketing Manager and left in 2000 to launch AT&T Latinamerica in Argentina and then became Executive Vice Chairman of Regional Marketing (Brazil-Argentina). He rejoined Personal in 2004 as Executive Director of Marketing and Strategic Planning. He became Director of Mobile Telephony in May 2010. He is also Director of Núcleo and Vice Chairman of Springville. He was born on April 5, 1966.

Marcelo E. Villegas is a lawyer. He joined Telecom Argentina in May 2008 as the Human Capital Director. He graduated from Universidad de Buenos Aires. Previously, he worked in the human resources department of the following companies: Wal-Mart Stores (International Division) for Wal-Mart Argentina, the Cencosud Group (Jumbo Retail Division) for the brands Jumbo, Disco and Vea, Hewitt & Aso (as head of talent Management and organizational change), the Perez Compac Group, Sade S.A., the Division of Exploration and Production of Gas and Oil in Latin America, the Suez Group, Aguas Provinciales de Santa Fe, Aguas Argentinas, Latin America Region and Ondeo de Puerto Rico Inc. He was born on March 13, 1963.

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Adrián Calaza holds a degree in Business Administration from the Universidad de Belgrano and an MBA from the Universidad del CEMA. He was appointed Telecom Argentina's Chief Financial Officer in August 2009. Mr. Calaza joined the Telecom Italia Group in January 1999, where he held various positions such as Chief Financial Officer of Entel Bolivia, a subsidiary of the TI Group and as Corporate Chief Financial Officer of Telecom Italia Latam in Brazil. Mr. Calaza returned to Argentina in 2007 as Manager of the Corporate Administrative Services Department of the Telecom Group. He was born on March 8, 1967.

Patrizio Graziani holds a degree in Economics and Business Administration from Università degli Studi La Sapienza, Roma and a doctorate in Economics, Accounting and Legal Auditing. He is at present the chairman of Sofora Telecomunicaciones S.A., Nortel Inversora S.A. and Tierra Argentea S.A. Since November 2013 he has served as Director of Purchasing and Real Estate Department of Telecom Argentina S.A. Mr. Graziani is also a director and member of Internal Control and Risk Committee, and Remuneration Committee of TIM Participacoes (Brazil) and since April 2010 he has served as chairman of HR Services, a company in the Telecom Italia Group. He was a director and member of Operations Committee of Telecom Argentina (until December 2013) and Personal (until November 2013). From April 2011 to October 2013 he served as Assistant and Head of Staff Manager to the Chairman & CEO of Telecom Italia Group. He was born on April 3, 1965.

Alejandro D. Quiroga Lopez is a lawyer graduated from the Universidad de Buenos Aires. From 2010 to 2011, he was an associate at Curutchet-Odriozola Law Firm. From 2001 and until February 2010 he was general counsel and Secretary of the Board of Directors of YPF S.A. He was a partner at the law firm Nicholson & Cano from 1986 to 1997, a foreign associate at Davis Polk & Wardwell in 2000, and Undersecretary of Banking and Insurance at the Ministry of Economy and Public Finance of Argentina from 1997 to 1999. He was professor of banking and commercial law at the University of CEMA. He was a member of the Executive Board of the Universidad de Buenos Aires School of Law. He is also a graduate of the Wharton Advanced Management Program. He was born on June 9, 1962.

Ricardo Luttini is an accountant. He joined Telecom in June 2005. He had previously served as Manager of Business Controls and Auditing for La Caja de Ahorro y Seguro S.A., General Manager of Banco Caja de Ahorro S.A., and General Accountant and Audit Manager at Banco Mercantil Argentino. He was born on September 27, 1961.

Máximo D. Lema is an engineer. Currently, he is the Director of the Wholesale Unit and Chairman of Telecom Argentina USA Inc. He graduated from the Universidad de Mar del Plata (Argentina) and from Purdue University (Indiana USA) with a Master of Science and Ph.D., both in electrical engineering. He also holds an MBA from UCEMA (Universidad Centro Estudios Macroeconómicos Argentina). He joined Telecom Argentina in 1998 as Wholesale Marketing Director. He previously worked at Telintar S.A. (International Business Director), Entel S.A. (International Director) and Purdue University (Image Processing Research). He was born on October 6, 1956.

Paolo Perfetti holds a degree in Electronic Engineering at the University of Roma, La Sapienza. He was appointed Telecom Argentina Network Director in November 2012. Mr. Perfetti joined the Telecom Italia group in August 2000 after an experience in BT Italia Group. Since then he held various position as director of Engineering and Operation Director contributing to the development of fixed and mobile broadband services. He was born on April 14, 1966.

Anibal R. Gomez holds a degree in Systems at CAECE University. In March 2013 he was appointed as Fixed Telephony Director at Telecom Argentina. Mr. Gomez joined Telecom Argentina in March 1994. During these years he held different positions, such as Commercial Manager, General Manager of Núcleo in Paraguay, Marketing Director and Sales Director, and President of Núcleo. He was born on December 26, 1964.

Mariano Cornejo holds a degree in advertising. He joined Telecom in June 2007. Previously, he served for twelve years as General Manager in Marketing at La Caja de Ahorro y Seguro S.A. He was also Director of Brands for the Werthein Group for the same period. He was born on December 20, 1963.

Eduardo M. Etcheverry holds a degree in Informatics from UADE, Argentina. In December 2012 he was appointed as Information Services Director at Telecom Argentina. Mr. Etcheverry joined Telecom Argentina in July 2006. During these years he held different positions, such as Datacenter Manager, Operations and Technology Manager, and Datacenter Director. He was born on December 18, 1956.

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Paolo Chiriotti holds a degree in Political Science from Génova University. He also holds a Human Resources Strategic Management Master from the Bocconi University, Milano. He was appointed Corporate Security Director in August 2012. Mr. Chiarotti started working at the Telecom Italia Group in March 1991, where he has held several positions, including Human Resources Organization Manager. Since 2010 he has been the responsible for the Crisis Management area in the Security Direction Department. He was born on July 28, 1970.

Telecom Argentina's Board of Directors, at their meeting held on February 27, 2014, approved a new organizational structure. As a result the new Telecom Group's senior Management team as of the date of this Annual Report is as follows:

Name	Position(1)	Date of Designation
Stéfano de Angelis	Chief Executive Officer	February 2013
Anibal Gómez	Chief Operating Officer	February 2014
Adrián Calaza	Chief Financial Officer and Director of Procurement	February 2014
Marcelo E. Villegas	Director of Human Capital	August 2008
Alejandro D. Quiroga López	Director of Legal and Regulatory Affairs	June 2011
Ricardo Luttini	Director of Audit	April 2007
Máximo D. Lema	Director of Wholesale	June 2010
Paolo Perfetti	Director of Network and IT Infrastructure	November 2012
Mariano Cornejo	Director of Communications and Media	June 2007
Stéfano de Angelis(2)	Director of Corporate Security	August 2012

- (1) The designation of Director does not imply that the officers mentioned above are members of the Board of Directors of Telecom Argentina, which is composed of the persons stated in the Directors, Senior Management and Employees above. The terms of office of Telecom's Senior Management are contractual in nature. Such contracts do not include a specified expiration date.
- (2) Paolo Chiriotti served as Director of Corporate Security until January 15, 2014. Since that date, the position has been held by Stéfano de Angelis on an interim basis.

See Telecom Group's senior Management team as of December 31, 2013 described above for further information about the individuals' experience and qualifications.

Supervisory Committee

Argentine law requires that any corporation with share capital in excess of P\$10,000,000 or which provides a public service or which is listed on any stock exchange or is controlled by a corporation that fulfills any of the aforementioned requirements, to have a Supervisory Committee. The Supervisory Committee is responsible for overseeing Telecom Argentina's compliance with its bylaws and Argentine law and, without prejudice to the role of external auditors, is required to present a report on the accuracy of the financial information presented to the shareholders by the Board of Directors at the Annual Ordinary Shareholders Meeting. The members of the Supervisory Committee are also authorized:

to call ordinary or extraordinary Shareholders Meetings;

to place items on the agenda for meetings of shareholders;

to attend meetings of shareholders; and

generally to monitor the affairs of Telecom Argentina.

Telecom Argentina's bylaws provide that the Supervisory Committee is to be formed by three or five members and three or five alternate members, elected by the majority vote of all shareholders. Members of the Supervisory Committee are elected to serve one year terms and may be reelected.

The following table lists the members and alternate members of the Supervisory Committee as of December 31, 2013:

Name	Position	Profession
Evelina Leoní Sarrailh	Member of the Supervisory Committee	Lawyer
Gustavo Adrián E. Gené	Member of the Supervisory Committee	Accountant
Gerardo Prieto	Member of the Supervisory Committee	Accountant
Susana Margarita Chiaramoni	Member of the Supervisory Committee	Lawyer
Raúl Alberto Garré	Member of the Supervisory Committee	Accountant and Lawyer
Gonzalo F. Oliva Beltrán	Alternate Member of the Supervisory Committee	Lawyer
Alberto Gustavo Gonzalez	Alternate Member of the Supervisory Committee	Accountant
Jacqueline Berzón	Alternate Member of the Supervisory Committee	Lawyer
Guillermo Feldberg	Alternate Member of the Supervisory Committee	Accountant
Silvia A. Rodríguez	Alternate Member of the Supervisory Committee	Lawyer

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Evelina Leoní Sarrailh is a lawyer with an extensive experience in the financial industry. She served as the Legal Director of the Group BBVA Banco Francés S.A. (1999-2010) and she had been the former Legal Director of the Group Deutsche Bank in Argentina. She has served as chairman of the Supervisory Committee of Telecom Argentina S.A during the fiscal year 2013 and she is a member of the Board of the Latin American Section of the AIDV, Asociación del Derecho de la Vid y el Vino . She was born on September 1, 1952.

Gustavo Adrián Enrique Gene is a licensed public accountant and holds a degree in Administration and a Masters in Administration and Strategic Planning from the University of Buenos Aires. He served as the Principal Accounting Officer of Edenor from 2006 to 2008. He previously served as Vice President of Strategic Planning from 1998 to 2002, and again from 2005 through May 2006. From 2002 to 2005, Mr. Gené was the Vice President of Planning and Control in the Regional Americas division of Electricité de France. He is a member of the Supervisory Committee of Telecom Argentina and Telecom Personal since April 2013. He was born on December 23, 1955.

Gerardo Prieto is an accountant. He has been a member of the Supervisory Committee since 2004. He is also a member of the Supervisory Committees of Sofora, Nortel, Personal and Micro Sistemas. He is Chairman of Campofin S.A., Polifin S.A., Pluria Productores de Seguros S.A., La Caja Aseguradora de Riesgos del Trabajo ART S.A. and Cabaña Doble G del Litoral S.A. He is a director of Industrial and Commercial Bank of China (Argentina) S.A., Caja de Seguros S.A., Gregorio, Numo y Noel Werthein SAAGCeI and Ritenere S.A. He is also an alternate director of La Caja de Seguros de Retiro S.A., Caja de Ahorro y Seguro S.A. and La Estrella S.A. Compañía de Seguros de Retiro. He was born on March 3, 1951.

Susana Margarita Chiaramoni is a lawyer with extensive experience in corporate and financial law and degree in Management and History of Arts. She was appointed to the Supervisory Committee of Telecom Argentina and Nortel Inversora S.A. during the fiscal year 2013. She was born on June 24, 1953.

Raúl Alberto Garré is a Certified Public Accountant and a lawyer with a degree from the Universidad de Buenos Aires and holds a degree in Marketing, Organizational Management and Finances from the University of California, Berkeley Business School. He also holds a degree as a Certified Mediator from the Universidad Maimónides. He is currently the trustee of Telecom S.A., Gas Natural Ban S.A. and the Dirección General de Fabricaciones Militares. He was the Director General of the Dirección General de Rentas de la Municipalidad de la Ciudad de Buenos Aires, the President of the Confederación Organismos Tributarios de Estados Americanos (COTEA) and the Vicepresident of C.E.A.M.S.E. (Coordinación Ecológica Área Metropolitana Sociedad del Estado). He was also Internal Auditor of the Department of Internal Affairs, Delegate to the Constitutional Convention of Buenos Aires City and member of the Consejo Directivo del Colegio Público de Abogados de la Ciudad de Buenos Aires. He was Cabinet Chief of the Department of Defense and the Department of Security and the Executive Secretary of the Consejo de Seguridad Interior. He was born on May 9, 1951.

Gonzalo F. Oliva Beltrán is a partner at Llerena Amadeo, Dondo & Oliva Beltran Abogados. He has concentrated his practice in the areas of corporate and finance law, foreign trade and exchange regulations, mergers and acquisitions, real estate and non-profit organizations. He graduated as a lawyer from the Universidad Católica Argentina in 2001. In 2006 he obtained an LLM from the University of Westminster, England (graduated with honors). He was born on May 12, 1978.

Alberto Gustavo González is currently President of Integral Management of Medical Center, Partner at G & P Management Consultants, Director of Sudamerican Services Uruguay and Director Sudamerican Services Argentina. He has also served as Controller of Electricité de France, Deputy Manager of Strategic Planning in Edenor and Planning Manager at Laboratorios Bago SA. He was born on May 12, 1962.

Jacqueline Berzón is a lawyer. From 2005 to 2010, she served as an alternate member and as a member of the Supervisory Committee of Telecom Argentina. She is a member of the Supervisory Committee again since 2013. She is currently a member of the Supervisory Committee of Personal, Monsanto Argentina SAIC and Chairwoman of Hungry Man Argentina S.R.L. She was born on October 9, 1975.

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Guillermo Feldberg is a public accountant. He has been an alternate member of the Supervisory Committee since 2004. He is also an alternate member of the Supervisory Committees of Personal, Micro Sistemas, Nortel and Sofora. He is Chairman of Agropecuaria La Victoria S.A., Caroline Establecimientos Agropecuarios S.A., Ineba S.A., Izzalini Trade S.A., GWF. S.A., Majuida S.A. Viosan S.A., Asociacion ORT Argentina and Pintarko S.A. He is Vice Chairman of Doble G del Litoral S.A., Fundación Ineba (Instituto de Neurociencias Buenos Aires). He was born on February 20, 1951.

Silvia Alejandra Rodríguez is a lawyer. She is member of the Supervisory Committee of Agua y Saneamientos Argentinos S.A. (AySA), Nucleoeléctrica Argentina S.A. and Parque Eólico Arauco S.A. She is alternate member of the Supervisory Committee of Ferrosur Roca S.A., Ferroexpreso Pampeano S.A., Empresa Argentina de Soluciones Satelitales S.A. (AR-SAT), Pampa Energía S.A. and Centros de Estudios de Alta Tecnología S.A. (CEATSA). She was born on December 15, 1972.

There is no family relationship between any director, alternate director, member of the Supervisory Committee or executive officer and any other director, alternate director, member of the Supervisory Committee or executive officer.

Compensation

The compensation of the members for the Board of Directors and the Supervisory Committee is established for each fiscal year at the annual meeting of shareholders.

The aggregate compensation paid by Telecom Argentina and its subsidiaries to the members of Telecom Argentina's Board of Directors and the members of Telecom Argentina's Supervisory Committee, acting since April 23, 2013, and the executive officers described under Senior Management above, was approximately P\$50.3 million for the year ended December 31, 2013.

Accrued compensation as of December 31, 2013 for the members of the Board of Directors and the members of the Supervisory Committee acting since April 23, 2013 was approximately P\$15.5 million and approximately P\$4.8 million, respectively. Those amounts are derived from the proposal made by Telecom Argentina's Board of Directors, with the prior opinion of the Audit Committee, regarding the aggregate compensation for the members of the Board of Directors and the Supervisory Committee in connection with their duties performed since April 23, 2013. Such compensation is subject to approval by the Annual Ordinary Shareholders' meeting which will be held on April 29, 2014.

As of December 31, 2013 compensation paid as advance payments to the members of the Board of Directors and members of the Supervisory Committee acting as from April 23, 2013 was P\$4.4 million and P\$2 million, respectively.

Compensation for the executive officers described under Senior Management above, amounted to approximately P\$68.9 million during the year ended December 31, 2013 (including fixed and variable compensation, retention plan benefits and, in some cases, severance payments and non-compete agreements), of which P\$25.0 million remained unpaid as of December 31, 2013.

The Company's managers (including Senior Management) receive fixed and variable compensation. A manager's fixed compensation reflects the level of responsibility required for his or her position and the market rate for similar positions. Variable compensation is tied to annual performance goals. Certain managers are beneficiaries of retention plan benefits.

Also, Telecom Argentina implemented a *Long-Term Incentive Program* (LTI), with the purpose of providing Senior Management members with incentives to create value in the medium/long term, involve such members in the Group s success and as an element for retaining key personnel at the organization. For the fiscal year 2012 results, bonuses were paid to the LTI program participants in May 2013. LTI program bonuses for fiscal year 2013 results are expected to be paid in May 2014.

During the year ended December 31, 2013, Telecom Argentina was not required to set aside or accrue any amounts to provide pension, retirement or similar benefits.

Telecom Argentina has no stock option plans for its personnel, or for its members of the Board of Directors or the Supervisory Committee.

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Board Practices

Under Argentine law, directors have the obligation to perform their duties with loyalty and the diligence of a prudent business person. Directors are jointly and severally liable to Telecom Argentina, our shareholders and third parties for the improper performance of their duties, for violations of law, our bylaws or regulations and for any damage caused by fraud, abuse of authority or gross negligence. Under Argentine law, specific duties may be assigned to a director by the bylaws or regulations or by resolution of the Shareholders Meeting. In these cases, a director's liability will be determined with reference to the performance of these duties, provided that certain recording requirements are met. Under Argentine law, directors are prohibited from engaging in activities in competition with Telecom Argentina without express authorization of a Shareholders Meeting. Certain transactions between directors and Telecom Argentina are subject to ratification procedures established by Argentine law.

The Supervisory Committee is responsible for overseeing our compliance with our bylaws and Argentine law and, without prejudice to the role of external auditors, is required to present to the shareholders at the annual ordinary general meeting a report on the accuracy of the financial information presented to the shareholders by the Board of Directors. See Supervisory Committee for further information regarding the Supervisory Committee.

On May 22, 2001 the Argentine government issued Decree No. 677/01, entitled Regulation of Transparency of the Public Offering, or the Transparency Decree (replaced since January 28, 2013 by equivalent articles included in Law No. 26,831. See Item 9 The Offer and Listing The Argentine Securities Market New Capital Market Act Law No. 26,831 below). The intention of this decree was to move towards the creation of an adequate legal framework that may strengthen the level of protection of investors in the market. The main objectives of the Transparency Decree were to promote the development, liquidity, stability, solvency and transparency of the market, generating procedures to guarantee the efficient reallocation from savings to investments and good practices in the administration of corporations.

The Transparency Decree (and now Law No. 26,831) vests in members of the Board of Directors:

the duty to disclose certain events, such as any fact or situation capable of affecting the value of the securities or the course of negotiation;

the duty of loyalty and diligence;

the duty of confidentiality; and

the duty to consider the general interests of all shareholders over the interest of the controlling shareholder. A director will not be liable if, notwithstanding his presence at a meeting at which a resolution was adopted or his knowledge of the resolution, a written record exists of his opposition thereto and he reports his opposition to the Supervisory Committee before any complaint against him is brought before the Board of Directors, the Supervisory Committee, the Shareholders Meeting, the competent governmental agency or the courts. Any liability of a director vis-à-vis Telecom Argentina terminates upon approval of the directors' performance by the Shareholders Meeting, provided that shareholders representing at least 5% of our capital stock do not object and provided further that this liability does not result from a violation of the Company's bylaws, the law or the regulations.

Additionally, Law No. 26,831 provides that those who infringe the provisions set forth therein shall be subject, in addition to civil and criminal liability (as applicable), to certain sanctions including warnings, fines, disqualification, suspension or prohibition from acting under the public offering regime.

In July 2012, Decree No. 1,278/12 approved a Regulation of officers and directors appointed by the shares or equity interests of the Argentine government through the Secretary of Economic Policy and Development Planning of the Ministry of Economy and Public Finance.

Telecom Argentina maintains an officers and directors insurance policy covering claims brought against the officers and/or directors relating to the performance of their duties. At present, the total amount covered by this insurance is US\$50,000,000.

In May 2004, the Board of Telecom Argentina resolved to create the Consejo de Dirección, or Steering Committee, which served as an internal body of the Board of Directors and was comprised of four members of the Board of Directors.

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In March 2009, the Board of Directors of Telecom Argentina resolved to dissolve the Steering Committee. However, on April 7, 2010, the Board of Directors of Telecom Argentina resolved to reestablish this Committee, maintaining the same pre-dissolution structure. The Steering Committee, consisting of four members or alternate members of the Board of Directors of Telecom Argentina and Personal, resumed its duties on October 26, 2010. On such date, the Board of Directors issued a new *Regulation of Authority and Operation of the Steering Committee*. The Steering Committee's duties, among others, are: (i) to approve the Business Plan of Telecom Argentina and its subsidiaries, (ii) to approve the general compensation policy of Telecom Argentina and Personal's employees, (iii) to review the bids to be submitted under public bidding processes for any amount over P\$5 million and the marketing plans to determine that they do not violate the Argentine Antitrust Law and (iv) to prepare the Advertising Budget to be submitted to the Board of Directors.

Pursuant to the *Regulation of Authority and Operation of the Steering Committee*, a quorum shall consist of the majority of members of the Steering Committee including those who attend by teleconference or videoteleconference. All members shall adopt decisions unanimously. In the event no resolution is adopted on any of the issues submitted for consideration of the Steering Committee, the matter shall be referred to the Board of Directors.

As of the date of this Annual Report, the members of the Steering Committee are: Gerardo Werthein, Adrián Werthein, Francesca Petralia and Andrea Mangoni.

The Company's bylaws grant the Board of Directors the power to appoint an Executive Committee formed by some of its members, to be in charge of the Company's day to day affairs, under the supervision of the Board of Directors. The Board of Directors decided not to appoint an Executive Committee.

Regulatory Compliance Committee

According to the New Shareholders' Agreement and to the TI-W Commitment (See Item 7 Major Shareholders and Related Party Transactions Telco and TI-W Commitments and Shareholders' Agreement), in October 2010, a Regulatory Compliance Committee was created consisting of three members or alternate members of the Board of Directors of Telecom Argentina and Personal not taking into account those members appointed at the request of Telecom Italia and those members appointed jointly by Telecom Italia and W de Argentina, if any. It should be noted that the directors of Telecom Argentina appointed at the request of Telecom Italia or those appointed jointly by W de Argentina and Telecom Italia are not allowed to vote in the appointment of the Regulatory Compliance Committee members.

The main duty of the Regulatory Compliance Committee is to verify that Telecom Argentina and Personal are in compliance with the requirements (hereinafter, the Requirements) assumed or derived for both companies from the Telco and the TI-W Commitment.

The Regulatory Compliance Committee has the following rights and duties:

To prepare quarterly reports to be submitted to the Board of Directors of Telecom Argentina and Personal regarding Requirements compliance.

To audit Telecom Argentina and Personal's Requirements compliance.

To verify all the information required by Telecom Italia according to the Telecom Italia S.p.A. audit rights under the New Shareholders Agreement of Sofora.

To approve any agreement to be executed or amended between Telefónica, S.A. and/or any of its affiliates, and Telecom Argentina and/or any of its subsidiaries.

To prepare annual reports on Requirements compliance, for submittal to the Board of Directors of Telecom Argentina and Personal ten days before their filing with the CNDC.

As of the date of this Annual Report, the members of the Regulatory Compliance Committee are Adrián Werthein (Chairman); Eduardo Federico Bauer and Esteban Gabriel Macek.

Audit Committee

Law No. 26,831 provides that companies with publicly-listed shares shall appoint an audit committee, or the Audit Committee, to be formed by three or more members of the Board of Directors. Under CNV rules, the majority of the members of the Audit Committee must be independent. In order to qualify as independent, the director must be independent with respect to the

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company, any controlling shareholders or any shareholders that are significant participants in the company and cannot carry out executive duties for the company. A member of the Board of Directors cannot qualify as an independent director if he or she is a relative of a person who would not qualify as an independent director if such relative were appointed as a member of the Board of Directors.

Pursuant to General Resolution No. 400/02 of the CNV, published in the Official Bulletin on April 5, 2002, the provisions of the Transparency Decree relating to the Audit Committee were applicable for the financial years beginning on or after January 1, 2004.

At the Board of Directors meeting held on April 29, 2004, the Board of Directors resolved the final composition of the Audit Committee, and the Audit Committee came into effect.

According to the Normativa de Implementación del Comité de Auditoría, (a set of guidelines for the Audit Committee filed with the CNV) in case of resignation, dismissal, death or lack of capacity of any of the members of the Audit Committee, the Board of Directors shall immediately appoint a replacement, who shall remain in such position until the following annual shareholders meeting.

According to Law No. 26,831 the duties of the Audit Committee shall be:

providing the market with complete information on transactions with which there might be a conflict of interest with the members of the corporate bodies or controlling shareholders;

giving an opinion on the fulfillment of legal requirements and reasonableness of the conditions for the issuance of shares or securities convertible into shares, in the case of capital increases where preemptive rights have been excluded or limited;

giving an opinion regarding transactions with related parties in certain cases;

supervising internal control systems and verifying the fulfillment of norms of conduct; and

giving an opinion regarding the Board of Directors proposal to designate external auditors and evaluating their independence, among others.

Additionally, within the Normativa de Implementación del Comité de Auditoría the Audit Committee also reviews the plans of internal auditors, supervising and evaluating their performance.

At its meeting on April 23, 2013, the Board of Directors reelected Mr. Garrido, Mr. Macek and elected Mr. Federico H. Gosman as members of the Audit Committee. The Board furthermore determined that Mr. Macek qualifies as an audit committee financial expert under SEC guidelines. Under SEC and New York Stock Exchange regulations the three members of the Committee qualify as independent directors. Under CNV regulations, two members of the Audit Committee (Mr. Macek and Mr. Gosman) qualify as independent directors.

Pursuant to the Argentine government's Decree No. 677/01, and now pursuant to Law No. 26,831, the Audit Committee may seek the advice of lawyers and other outside professionals at Telecom Argentina's expense, so long as the shareholders have approved expenditures for the services of such professionals. For fiscal year 2013, a budget of P\$1,500,000 was approved for Audit Committee expenditures. As of the date of this Annual Report, the Annual Shareholders' meeting approving Audit Committee expenditures for year 2014 has not yet been held.

Disclosure Committee

Telecom Argentina has also established a Disclosure Committee, which is responsible for monitoring the gathering, processing and submission to the CEO and CFO of consolidated financial and non-financial information that is required to be included in disclosure reports in order to ensure timely and accurate disclosure of material information. The duties of the Disclosure Committee include the following:

assisting the CEO and the CFO in evaluating the effectiveness of Telecom Argentina's disclosure controls and procedures prior to the filing of Annual Reports both in Argentina and the US;

suggesting any improvements in disclosure procedures as a result of this evaluation;

verifying that Telecom Argentina's processes for information collection, processing and control are in compliance with its disclosure procedures such that the accuracy of its disclosures can be verified; and

providing assistance in determining what information may be considered material to Telecom Argentina.

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As of December 31, 2013, our total number of employees was 16,581 (including temporary employees), of which approximately 77 % belonged to unions. All Management and senior positions are held by non-union employees.

Telecom Argentina and Personal have 9,930 and 2,881 unionized employees, respectively, representing an increase of approximately 1.1% and 1.5%, respectively, compared to 2012. The union which has the largest number of employees is the Federation of Telephone Workers and Employees of Argentina (FOETRA) in Buenos Aires, which is currently included in the Argentine Telecommunications Federation (FATEL), representing 5,604 Telecom Argentina employees. The Argentine Federation of Telephone Workers and Employees (FOEESITRA) represents 2,240 employees and the Professionals Workers Center of Telecommunication Companies (CEPETEL) represents 306 employees. Two remaining unions, the Technical and Supervisory Telephone Personnel Federation (FOPSTTA) and the Telecommunications Union (UPJET), represent 1,780 middle management employees of Telecom Argentina. Personal has 2,877 employees represented by the Argentine Federation of Commercial and Service Employees (FAECyS) and 4 employees represented by the Single Argentine Federation of Travelers (FUVA).

Salary agreements with labor organizations are reviewed annually or from time to time, in a context of increased social claims and an increased cost of living.

In 2013, Telecom Argentina continued negotiating with telecommunication labor organizations through the Mesa de Unidad Sindical de las Telecomunicaciones (the MUS Board of Trade Union Unity), which brings together FOEESITRA, FATEL, FOPSTTA and UPJET. The negotiations resulted in an agreement to implement a gradual and non-cumulative increase in salaries, which amounted to 15.5% in July 2013 and 9.5% as from January 2014. Additionally, 2% of the aggregate salaries were assigned to increase certain variable employee compensation items. Moreover, salary agreements for call centers activity were reached with FOETRA, SITRATEL (Telephone Union Employees included in FATEL) and FOEESITRA, resulting in the same salary increases as those agreed with the MUS.

Additionally, negotiations continued with CEPETEL (which is not part of the MUS) which resulted in a salary agreement reached in September 2013 with same terms and conditions as the other telecommunication labor organizations.

With respect to Personal, during 2013, union employees were covered by the FAECyS collective bargaining agreement, and, as a result, the related salary agreements applied. These agreements contemplated a 24% salary increase in 2013. This salary increase was granted gradually and was non-cumulative: 14% in May 2013 and 10% in November 2013.

On November 6, 2013, the first mobile telephony collective bargaining agreement was reached between the mobile operators (with the exception of Claro) and FOETRA (Buenos Aires), which was approved on December 5, 2013 by the Ministry of Labor, Employment and Social Security (MTEySS). The effective date of the agreement is February 1, 2014. However, current salary conditions remain in force until April 30, 2014.

Considering the evolution of negotiations and the agreement reached by FOETRA in Buenos Aires as described above, it is probable that in 2014 mobile unionized employees will be represented by FATEL and FOEESITRA in order to replicate the national level the agreement reached in Buenos Aires. Additionally, FOPSTTA, UPJET and CEPETEL claimed the mobile employees representation as well as the negotiation of a mobile telephony collective bargaining agreement, having initiated the administrative procedures with the MTEySS as of the date of this Annual Report.

See Item 8 Financial Information Legal Proceedings Civil, commercial, labor, regulatory, tax and other matters proceedings Labor Claims for more detail on labor claims filed against Telecom Argentina and Personal

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The table below shows the number of employees as of December 31, 2013, 2012 and 2011 by segment (1):

	December 31, 2013	December 31, 2012	December 31, 2011
Fixed Services	11,002	11,115	11,093
Personal Mobile Services	5,155	5,254	4,820
Núcleo Mobile Services	424	439	433
Total	16,581	16,808	16,346

(1) Includes temporary employees

Share Ownership*Share Ownership by directors, executive officers, and Supervisory Committee members*

Enrique Garrido holds 231 Class B Shares of Telecom Argentina. No other member of the Board of Directors or any member of the Supervisory Committee holds obligations or capital stock of Telecom Argentina.

Adrian Calaza holds 11,860 Class B Shares of Telecom Argentina. No other member of Telecom Argentina's senior management holds obligations or capital stock of Telecom Argentina.

Share Ownership Plan

At the time of the privatization of ENTel in 1990, the Argentine government created a Share Ownership Plan, or SOP, for the employees of ENTel and CAT acquired by Telecom Argentina, Telintar, and Startel. Pursuant to the Privatization Regulations, 10% of Telecom Argentina's then-outstanding shares, consisting of 98,438,098 Class C Shares, were transferred by the Argentine government to Telecom Argentina, Telintar, and Startel employees previously employed by ENTel and CAT. This transfer was made through a general transfer agreement signed on December 29, 1992 (the General Transfer Agreement). Our Class C Shares consist exclusively of shares originally sold in connection with the SOP. According to applicable law, to be eligible to continue to participate in the SOP, the employees had to remain employed by Telecom Argentina, Telintar, and Startel. Employees who terminated their employment with Telecom Argentina, Telintar, and Startel before the deferred purchase price was fully paid were required to sell their Class C Shares to another employee under the SOP or, if no other employee was available to purchase these shares, to a guaranty and repurchase fund (the Guaranty and Repurchase Fund), at a price calculated according to a formula provided in the General Transfer Agreement.

On December 9, 1999, Decree No. 1,623/99 was issued, authorizing the accelerated repayment of the outstanding balance of the deferred purchase price for all Class C Shares, and lifting the transfer restrictions on the Class C Shares upon the satisfaction of certain conditions precedent. However, the shares held in the Guaranty and Repurchase Fund were still subject to transfer restrictions until an injunction prohibiting trading or selling of these shares was lifted. The Decree provides that once the injunction is lifted, the sale of an amount of shares in the Guaranty and Repurchase Fund, will take place in order to cancel the debt owed to the former employees for the acquisition of shares transferred

to the Guaranty and Repurchase Fund. The remaining shares held in the Guaranty and Repurchase Fund will then be distributed in accordance with the decision of the majority of the employees taken in a special meeting of the SOP.

In accordance with Decree No. 1,623/99, at the extraordinary and special Class C Shareholders Meeting held on March 14, 2000, Telecom Argentina's shareholders approved the conversion of up to 52,505,360 Class C Shares into Class B Shares in one or more tranches from time to time, as determined by the trustee of the SOP, Banco de la Ciudad de Buenos Aires, based on the availability of Class C Shares that were not affected by judicial restrictions on conversion.

A first tranche of 50,978,833 Class C Shares was converted into Class B Shares for public resale. This transaction was authorized in Argentina by the CNV and was registered in the United States with the SEC on May 3, 2000. The rest of the Class C Shares authorized for conversion were converted into Class B Shares in four more tranches ending in 2005.

As requested by the Executive Committee of the SOP, the ordinary, extraordinary and special Class C shareholders meetings held on April 27, 2006 approved the delegation of authority to Telecom Argentina's Board of Directors for the conversion of up to 41,339,464 ordinary Class C Shares into an equal quantity of Class B Shares, in one or more conversions. As of December 31, 2011, all the 41,339,464 shares were converted into Class B Ordinary Shares in eleven tranches.

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The remaining 4,593,274 Class C shares were affected by an injunction measure recorded in file *Garcías de Vicchi, Amerinda y otros c/ Sindicación de Accionistas Clase C del Programa de Propiedad Participada s/nulidad de acto jurídico*, which has been lifted. Therefore, the General Ordinary and Extraordinary and Special Class C Shares Meetings held on December 15, 2011, approved the delegation of authority to Telecom Argentina's Board of Directors for the conversion of up to 4,593,274 Class C ordinary shares into an equal quantity of Class B ordinary shares in one or more tranches. As a result, 4,325,836 Class C Shares have been converted to Class B Shares in seven tranches. As of the date of this Annual Report, the outstanding number of Class C Shares is 267,438.

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

Our principal shareholder is Nortel. As of December 31, 2013, Nortel owned all of Telecom Argentina's Class A Ordinary Shares (51% of Telecom Argentina's total capital stock) and approximately 7.64% of the Class B Ordinary Shares (3.74% of Telecom Argentina's total capital stock) which, in the aggregate, represented approximately 54.74% of the total capital stock or 55.6% of the total outstanding shares considering the 15,221,373 Class B Ordinary Shares which were repurchased and are held in treasury. Telecom Argentina is directly controlled by Nortel by virtue of Nortel's ownership of a majority of Telecom Argentina's capital stock; however, Nortel's controlling interest is subject to certain agreements among Sofora's shareholders. See [Shareholders of Nortel](#) below.

Nortel was incorporated in Buenos Aires, Argentina on October 19, 1990 and registered with the Buenos Aires Public Registry of Commerce on October 31, 1990 under No. 8,025, book 108, Volume A of Corporations. Nortel is a holding company that was formed in 1990 by a consortium including the Telecom Italia Group and FCR in connection with the privatization of ENTel and formation of Telecom Argentina.

In the event of certain payment defaults or breaches of covenants, holders of Nortel's preferred stock collectively have the right to elect one director of Nortel and obtain voting rights.

Nortel's offices are located at Alicia Moreau de Justo 50, 11th floor, Buenos Aires, Argentina.

Shareholders of Nortel

All of Nortel's ordinary shares are owned by Sofora. Sofora's shares are owned by the Telecom Italia Group (68%) and W de Argentina Inversiones S.L. (32%).

As of December 31, 2013, Nortel's capital stock was represented by ordinary shares (78.38% of the capital stock) and Preferred Series B shares (21.62% of the capital stock).

During 2011, Telecom Italia International N.V. (a company of the Telecom Italia Group) acquired 8% of Nortel's total Series B Preferred Shares (without voting rights) and also made a public announcement together with Telecom Italia S.p.A. regarding the acquisition of Series B Shares representing 1.58% of Telecom Argentina's capital stock through the local company Inversiones Milano S.A. (which has changed its name to Tierra Argentea S.A.).

As of the date of this Annual Report, the Telecom Italia Group indirect stake in Telecom Argentina amounts to 19.3% of its economic rights.

W de Argentina Inversiones S.L., Telecom Italia S.p.A. and Telecom Italia International N.V. have signed a shareholders' agreement for the joint management of Sofora, Nortel, Telecom Argentina and its subsidiaries, including Personal which was amended in August 2010, October 2010 and March 2011. See [Shareholders' Agreement](#) below.

On August 5, 2010, the Shareholders' Agreement was amended by the parties. As a result of the commitment of the shareholders of Sofora Telecomunicaciones S.A. before the CNDC, on October 13, 2010 further modifications were introduced. On March 9, 2011, in connection with the transfer of 10% of the share capital of Sofora Telecomunicaciones SA in favor of Telecom Italia International NV held on that date, further amendments to the Shareholders' Agreement were introduced in order to preserve the government rights that parties had until then, clarifying that even though W de Argentina Inversiones SL would have 32% of the share capital of Sofora

Telecomunicaciones SA, W de Argentina Inversiones SL kept the same government rights that it had under the Shareholders Agreement, as it if continued to hold 42% of the share capital of Sofora Telecomunicaciones SA (hereinafter the Shareholders Agreement and its modifications, the New Shareholders Agreement). For additional information about the New Shareholders Agreement, see Shareholders Agreement .

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On November 14, 2013 Telecom Italia S.p.A and Telecom Italia International N.V. (collectively, the Sellers) and Tierra Argentea S.A. (Tierra Argentea , a company controlled by the Sellers) announced their acceptance of the offer made by Fintech to acquire Telecom Italia 's controlling stake in Telecom Argentina owned by the Sellers through their subsidiaries Sofora, Nortel, and Tierra Argentea. The purchase offer was for a total amount of US\$960 million, of which US\$859.5 million will be paid as consideration for the sale of:

68% of the ordinary shares of Sofora held by Telecom Italia and Telecom Italia International (US\$750.8 million);

15,533,834 Class B Shares of Telecom Argentina, representing 1.58% of the share capital, held by Tierra Argentea (US\$61.2 million);

2,351,752 American Depositary Shares, representing 117,588 Preferred B Shares of Nortel, equal to 8% of the Preferred B Shares held by Tierra Argentea (US\$47.5 million).

The remaining US\$100.5 million will be paid pursuant to additional agreements related to the transaction, including an agreement to continue providing the Telecom Argentina companies technical support and other services for up to three years, the waiver and amendment of certain rights under the current Shareholders Agreement relating to Telecom Argentina, in favor of the Wertheim Group, which will retain 32% of the voting shares of Sofora, and the commitment by Fintech to pay amounts already reserved for dividends by Telecom Argentina, if such dividends are not declared and paid by the Telecom Argentina group prior to closing.

In implementing the above-mentioned agreements, on December 10, 2013, the Class B Shares of Telecom Argentina and the Class B Shares of Nortel owned by Tierra Argentea were transferred to Fintech for a total amount of US\$108.7 million. As a result, the Telecom Italia Group 's economic interest in Telecom Argentina is now reduced to 19.3%.

The transfer of the shares held by the Telecom Italia Group in Sofora is conditional upon prior approval by regulatory authorities.

If the transaction is consummated, Fintech will have the ability to exert significant control over us, including the right to nominate, through our parent companies, Sofora and Nortel, the majority of our directors pursuant to the terms of the Shareholders Agreement.

The Telecom Italia Group

The Telecom Italia Group operates mainly in Europe, the Mediterranean Basin and South America.

The Telecom Italia Group is engaged principally in the communications sector and, particularly, the fixed and mobile national (Italy) and international telecommunications sector.

As of December 31, 2013, the Telecom Italia Group had approximately 13.2 million physical accesses (retail) in Italy, a decrease of 0.8 million compared to December 31, 2012. The Wholesale customer portfolio in Italy reached approximately 7.2 million accesses for telephone services at December 31, 2013 (stable compared to December 31, 2012).

The Broadband portfolio in Italy reached 8.7 million accesses at December 31, 2013 (consisting of approximately 6.9 million retail accesses corresponding to a market share of approximately 50% and 1.8 million wholesale accesses), a decrease of approximately 0.2 million compared to December 31, 2012.

In addition, the Telecom Italia Group had approximately 31.2 million mobile telephone lines in Italy at December 31, 2013, a decrease of approximately 0.9 million compared to December 31, 2012.

As of December 31, 2013, the Telecom Italia Group had 73.4 million mobile telephone lines in Brazil (70.4 million at December 31, 2012).

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W de Argentina Inversiones, a company of the Werthein Group, is a company owned by Daniel Werthein, Adrián Werthein, Gerardo Werthein and Darío Werthein. The Werthein Group's main lines of business include farming and oil operations, insurance and real estate activities, as described below:

Farming and Oil Operations. Gregorio, Numo y Noel Werthein S.A.A.G.C. e I. (GNNW) is the name of the company that handles the businesses of the Werthein Group, mainly related to agribusiness activities and food products. The company owns more than 196,453 acres in the primary farming areas of Argentina, harvesting more than 43,144 tons of different crops and with more than 23,820 heads of cattle dedicated to meat production. It is also involved in the manufacturing of processed fruits as well as teas and other infusions. Most of its products are aimed at the international markets with important exports worldwide. GNNW is also carrying out, through joint ventures, studies, exploration and exploitation of hydrocarbon in Province of La Pampa, Argentina.

Insurance Activities. The Werthein Group controls Los W S.A., which has an interest in Caja de Ahorro y Seguro S.A., or CAYSSA, a leading insurance company in Argentina. CAYSSA controls, directly or indirectly, several subsidiaries that offer general, personal, life, accident, work risk insurance products and retirement insurance and life insurance products that complement retirement insurance. CAYSSA also has shareholdings in companies that provide marketing services and travelers' assistance services.

Real Estate Activities. The Werthein Group conducts real estate, construction, consulting, public works and other real estate-related activities through its interests in other companies.

Ownership of Telecom Argentina Common Stock

The following table sets forth, as of March 31, 2014, based upon information available to us, each beneficial owner of 5% or more of each class of Telecom Argentina's shares. However, current holdings may be different.

	Number of Shares Owned	Percent of Class	Percent of Total Capital Stock (1)
Class A Ordinary Shares:			
Nortel	502,034,299	100.00%	51.00%
Class B Ordinary Shares (listed in NYSE and BCBA):			
ANSES	246,018,839	51.03%	24.99%
Nortel	36,832,408	7.64%	3.74%
Treasury Shares	15,221,373	3.16%	1.55%
Others	184,006,621	38.17%	18.69%
Class C Ordinary Shares:			
Others	267,438	100.00%	0.03%

(1) Represents percentage of total of all our ordinary shares, regardless of class.

As of March 31, 2014, there were approximately 28.9 million American Depositary Shares outstanding (representing 144.6 million Class B Shares or 33.6% of total Class B Shares, excluding those held by Nortel and Treasury Shares). Moreover, as of that date, there were approximately 90 registered holders of Class B Shares represented by American Depositary Shares in the United States and approximately 21,000 depositaries of Class B Shares in Argentina. Because some Class B Shares are held by representatives, the number and domicile of registered shareholders may not exactly reflect the number and domicile of beneficial shareholders.

All shares have equal voting rights. Nevertheless, pursuant to Section 221 of the LSC, the rights of treasury shares shall be suspended (including voting rights) until the shareholders in a Shareholders' Meeting determine the allocation of such shares.

On November 14, 2013 Telecom Italia S.p.A and Telecom Italia International N.V. (collectively, the Sellers) and Tierra Argentea S.A. (Tierra Argentea , a company controlled by the Sellers) announced their acceptance of the offer made by Fintech to acquire Telecom Italia 's controlling stake in Telecom Argentina owned by the Sellers through their subsidiaries Sofora, Nortel, and Tierra Argentea.

On December 10, 2013 Tierra Argentea completed the transfer to Fintech of (i) Class B shares of Telecom Argentina, representing 1.58% of the capital stock of such company, and (ii) Nortel 's ADRs representing 8% of the aggregate Series B Preferred Shares of Nortel.

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The transfer of the shares held by the Telecom Italia Group in Sofora is conditional upon prior approval by regulatory authorities. See Shareholders of Nortel .

As of December 31, 2013, indirect economic interest of Telecom Italia in Telecom Argentina totaled 19.3%.

Telco and TI-W Commitments

On October 25, 2007, a consortium made up of Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Sintonia S.A. (Benetton) and Telefónica, S.A. (of Spain) bought Olimpia S.p.A.'s entire stock through the Italian company Telco S.p.A., which held approximately 23.6% of Telecom Italia S.p.A.'s voting shares (the Telco Transaction). On December 22, 2009, Sintonia S.A. (Benetton) left the consortium and its participation was assumed by the remaining shareholders of Telco S.p.A. on a pro rata basis. As of December 31, 2013, Telco holds 22.4% of Telecom Italia S.p.A.'s voting shares.

The Telco Transaction has generated different opinions with respect to its impact on Argentina's telecommunications market in light of the Argentine Antitrust Act and the existing regulatory framework.

Consequently, the Telco Transaction led to the intervention of various administrative bodies whose decisions have been subject to various presentations and complaints before administrative and judicial courts.

On August 5, 2010, Telecom Italia S.p.A., Telecom Italia Internacional N.V. and W de Argentina agreed to:

A settlement agreement to end all legal proceedings existing between the parties as direct shareholders of Sofora and indirect shareholders of the remaining companies of the Telecom Argentina Group (Sofora, Nortel, Telecom Argentina and its subsidiaries and Personal and its subsidiaries), which had been originated as a result of the Telco Transaction.

Amend the 2003 Shareholders' Agreement. The amendment includes, among other things, certain measures to guarantee a more efficient corporate governance of the Telecom Argentina Group companies. As part of the agreement, a Telecom Argentina and Personal's Regulatory Compliance Committee was created and will remain in place for as long as Telefónica, S.A. (of Spain) owns any subsidiaries in Argentina and concurrently maintains any direct or indirect participation in the Telecom Italia Group and maintains corporate rights similar to those provided by the Telco Transaction.

The transfer of 8% of the capital stock of Sofora from W de Argentina to Telecom Italia International N.V., subject to the applicable authorizations. This increased Telecom Italia Group's participation to 58% of the capital stock of Sofora (the TI-W Transaction).

On October 6, 2010, Telefónica, S.A. (of Spain), Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Telco S.p.A., and, as intervening parties, Telecom Italia S.p.A., Telecom Italia Internacional N.V., Sofora, Nortel, Telecom Argentina, Personal, Telefónica de Argentina S.A. and Telefónica Móviles Argentina S.A., submitted before the CNDC an agreement (the Telco Commitment). The Telco Commitment ensures the separation and independence of the activities in the Argentine telecommunications market, of Telefónica, S.A. (of Spain) and its controlled subsidiaries, on one hand, and Telecom Italia S.p.A., Telecom Italia Internacional N.V., Sofora, Telecom Argentina and Personal, on the other, preserving and encouraging the competition conditions of such companies activities in the national market.

In addition, in connection with the TI-W Transaction, Sofora's shareholders submitted before the CNDC an agreement with respect to the administration and governance of the Telecom Argentina Group (the "TI-W Commitment").

On October 12, 2010, the CNDC issued Opinions No. 835 and 836 in connection with the Telco Transaction and the TI-W Transaction, respectively. In Opinion No. 835, the CNDC advised, among other things, the Secretary of Economic Policy of the Economy Ministry to accept the Telco Commitment with the clarifications and specifications made in Title XIV of such Opinion, and, consequently, subject the approval of the Telco Transaction, pursuant to Section 13, paragraph b) of the Argentine Antitrust Act to the irrevocable and effective fulfilling of the Telco Commitment with the clarifications and specifications as mentioned. In addition, the CNDC made some pro-competition recommendations to the SC and to the CNC, which are included as Annex I to such Opinion.

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The terms and conditions of the Telco Commitment offered by the abovementioned companies are detailed in Title XIV of the abovementioned Opinion, together with the clarifications and specifications made by the CNDC.

In Opinion No. 836, the CNDC advised, among other things, to accept the TI-W Commitment, with the clarifications and specifications made in Title V.2 of the same Opinion and, consequently, to authorize the TI-W Transaction, pursuant to Section 13, paragraph b) of the Argentina Antitrust Act. The terms and conditions of the TI-W Commitment are described in Title V of the Opinion, together with the observations made by the CNDC.

On October 13, 2010, the Secretary of Economic Policy of the Economy Ministry issued Resolution No. 148/10 which, in its operative part, among other issues, authorizes the Telco Transaction subject to the irrevocable and effective fulfillment of the Telco Commitment with the clarifications and specifications made in Title XIV of CNDC Opinion No. 835/10. On the same date, the Secretary of Economic Policy of the Economy Ministry issued its Resolution No. 149/10, in which it accepted the TI-W Commitment and approved the TI-W Transaction in the terms of Section 13 paragraph b) of the Argentine Antitrust Act.

On October 13, 2010, the SC issued Resolution No. 136/10 which, among other issues, in its operative part authorizes the change of control that happened at Telecom Argentina and Personal as a consequence of the TI-W Transaction. On the same resolution, the legal figure of the Operator included in the List of Conditions, Decree No. 62/90 as amended, was left without effect with respect to Telecom Argentina.

On October 13, 2010, the transfer of 8% of the shares of Sofora in favor of Telecom Italia International N.V. was perfected. Based on information provided by Sofora's shareholders, the consideration was (i) US\$1 (one U.S. dollar w/o cents) and (ii) the execution of certain agreements dated as of August 5, 2010, between the Telecom Italia Group and the Wertheim Group. Thus, the Telecom Italia Group reached a participation of 58% of the shares and possible votes in Sofora while W de Argentina reached the remaining 42% of such shares and votes.

On October 26, 2010, Telecom Argentina's Board of Directors ratified the execution by Telecom Argentina of the Telco Commitment, accepted all the obligations and commitments that Telecom Argentina has assumed in the Telco Commitment, with the clarifications and specifications relating to them, made by the CNDC in Chapter XIV of its Opinion No. 835, and adopted a number of measures for its effective implementation, including the creation of a Regulatory Compliance Committee. In addition, it accepted Telecom Argentina's obligations arising from the TI-W Commitment submitted to the CNDC, in the file referring to the TI-W Transaction, with the clarifications and specifications that are referred to them, made by the CNDC in Paragraph V.2 of its Opinion No. 836 dated October 12, 2010, and adopted a series of measures for their effective implementation.

The Telco Commitment and the TI-W Commitment are available to the public in Spanish at www.telecom.com.ar/compromisos and a summary of them is available in English at the SEC website (www.sec.gov).

On March 9, 2011, Telecom Italia International NV, Telecom Italia S.p.A and certain entities of the Wertheim Group entered into a share purchase agreement under which the Wertheim Group agreed to sell common shares of Sofora representing 10% of Sofora's share capital, to Telecom Italia International NV. Following this share transfer, Telecom Italia S.p.A and Telecom Italia International N.V. hold an aggregate of 68% of the Sofora shares. The Wertheim Group owns the remaining 32% of the Sofora shares.

Shareholders Agreement

On August 5, 2010, Telecom Italia S.p.A. and Telecom Italia International N.V. (jointly, the Telecom Italia Group) and W de Argentina Inversiones (jointly with the Telecom Italia Group, the Parties) entered into the *2010 Amended*

and Restated Shareholders Agreement, as amended on October 13, 2010 as a consequence of the TI-W Commitment and on March 9, 2011 (the *New Shareholders Agreement*) that amended the provisions and terms of the *2003 Amended and Restated Shareholders Agreement* (the *2003 Shareholders Agreement*).

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Below is a brief summary of the main terms and conditions of the New Shareholders Agreement and the principal amendments to the 2003 Shareholders Agreement, considering the new composition of capital stock of Sofora (68% for Telecom Italia Group and 32% for W de Argentina Inversiones):

With respect to Sofora:

W de Argentina shall have the right to appoint four out of nine Board members and the Telecom Italia Group shall have the right to appoint the remaining five Board members. Decisions will be made by the majority of directors present at each meeting.

W de Argentina shall have the right to nominate the Chairman of the Supervisory Committee.

With respect to Nortel:

W de Argentina shall have the right to appoint two out of seven Board members and the Telecom Italia Group shall have the right to appoint four Board members. The seventh director will be nominated by the Preferred Series A and Preferred Series B Shareholders of Nortel, as long as they have such rights in accordance with the terms and conditions of issuance of the preferred shares (as of December 31, 2013 there were no outstanding Preferred Series A shares). In the event that Preferred Series A shares and / or Preferred Series B shares lose their right to appoint a director, the Telecom Italia Group and W de Argentina acquire the right to jointly appoint a director. As of December 31, 2012 there were no outstanding Preferred Series A shares. Decisions will be made by the majority of directors present at each meeting. In case of a tie, the chairman shall cast the deciding vote.

W de Argentina shall be entitled to nominate the Chairman of the Audit Committee of Nortel.

With respect to Telecom Argentina:

As a general rule, Nortel shall have the right to nominate six directors and the minority shareholders shall have the right to nominate one director. Four of the abovementioned six Board members to be nominated by Nortel shall be nominated by the Telecom Italia Group and the remaining two shall be nominated by W de Argentina. In the event that other shareholders of Telecom Argentina had the right to appoint more than one director, the composition of the Board of Directors of Telecom Argentina shall be modified so that the Telecom Italia Group shall nominate the majority of the members appointed by Nortel. Decisions will be made by the majority of directors present at each meeting. In case of a tie, the Chairman shall cast the deciding vote.

W de Argentina shall be entitled to nominate the Chairman of the Audit Committee of Telecom Argentina. The New Shareholders Agreement also provides that the resolutions of the Audit Committee shall be taken by the unanimous vote of its members.

The Chairman of Telecom Argentina's Board of Directors shall meet the following requirements: (i) be an Argentine professional of recognized reputation and (ii) shall not have served as member of the Board of Directors or officer at any direct or indirect competitor of any company of the Telecom Argentina Group in the Argentine telecommunications market within the previous twelve months from his appointment.

The New Shareholders' Agreement provides for the establishment of a Regulatory Compliance Committee for Telecom Argentina, composed of three members to be selected among the members of Telecom Argentina's and Personal's Boards of Directors, other than those members nominated exclusively by the Telecom Italia Group or jointly with W de Argentina.

The New Shareholders' Agreement also provides for the establishment of a Steering Committee for Telecom Argentina, which shall be composed of two members appointed by the Telecom Italia Group and two members appointed by W de Argentina. The Steering Committee shall be in charge of resolving matters concerning Telecom Argentina's business plan, annual budget and general employee compensation policy for Telecom Argentina and Personal, among others. The Steering Committee shall meet with the majority of its members and resolve any matter by unanimous vote of the members attending the meeting. In case any matter is not approved by the unanimous vote of its members, the Board of Directors shall resolve such matter.

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The New Shareholders Agreement still provides for meetings between the Telecom Italia Group and W de Argentina (set forth in Section 4 of the New Shareholders Agreement) before Shareholders or Board of Directors meetings of Sofora, Nortel, Telecom Argentina or its subsidiaries regarding matters that must be treated at shareholders meetings or those related to preferred Shareholders of Nortel, but it excludes resolutions to be adopted by certain non-executive committees. Therefore, the resolutions to be adopted at the Audit Committee, the Supervisory Committee and the Regulatory Compliance Committee will not be dealt with in such prior meetings, but following the rules of the majority of each of those committees.

Similar to the 2003 Shareholders Agreement, two members of the Telecom Italia Group and one member of W de Argentina shall attend the meetings and the decisions will be taken through the affirmative vote of the majority of its members.

W de Argentina shall maintain substantially similar veto rights as provided for in the 2003 Shareholders Agreement, upon the following matters:

the approval of any amendment to the bylaws, other than the amendments expressly set forth in the New Shareholders Agreement;

dividend policy;

any capital increase or decrease, except for any capital increase or decrease connected to any possible debt restructuring;

changing the location of the headquarter offices;

any acquisition of subsidiaries and/or creation of subsidiaries;

the sale, transfer, assignment or any other disposition of all or substantially all of the assets or any of its subsidiaries;

decisions relating to the establishment of joint ventures;

constitution of any charges, liens, encumbrance, pledge or mortgage over assets, exceeding the amount of US\$20,000,000 (twenty million U.S. dollars);

any change of external auditors, to be chosen among auditors of international reputation;

any related party transaction which is not carried out according to usual market conditions, exceeding the amount of US\$5,000,000, with the exception of (i) any correspondent relationships, traffic agreement and/or roaming agreements with any national and/or international telecommunications carriers/operators, including the establishment, expansion or amendment of such correspondent relationships with any new telecommunications carriers; and (ii) any transaction connected with the debt restructuring;

any extraordinary transaction involving the Telecom Argentina Group, exceeding the amount of US\$30,000,000, except for any operation connected with the debt restructuring of the Telecom Argentina Group; and

any change to the rules of the Steering Committee, the Regulatory Compliance Committee or the Audit Committee; and the creation, changes or dissolution of any committee of the Telecom Argentina Group with similar functions.

On November 14, 2013 Telecom Italia S.p.A and Telecom Italia International N.V. (collectively, the Sellers) and Tierra Argentea S.A. (Tierra Argentea , a company controlled by the Sellers) announced their acceptance of the offer made by Fintech to acquire Telecom Italia 's controlling stake in Telecom Argentina owned by the Sellers through their subsidiaries Sofora, Nortel, and Tierra Argentea. See Item 7 Major Shareholder and Related Party Transactions Shareholders of Nortel.

Pursuant to the Mutual Shareholder Release and the Deed of Adherence each dated as of November 13, 2013, upon the closing of the Fintech transaction, all of the Sellers ' rights, liabilities and obligations under the Shareholders Agreement will be terminated, and Fintech will irrevocably and unconditionally adhere to the Shareholders Agreement as a party thereto.

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As disclosed by Telecom Italia S.p.A. hereinafter "TI" in its latest Annual Report on Form 20-F, the Italian company Telco is one of its main shareholders, with a participation of the 22.39% of the voting shares of TI, the company that indirectly controls Telecom Argentina S.A.

On September 24, 2013, the Company's Management became aware that Telefónica, S.A. (de España), hereinafter "Telefónica", publicly disclosed that it had reached an agreement with the other Telco shareholders with respect to their ownership of Telco. On the same day, the Company issued a Relevant Fact notification pursuant to the CNV rules, reproducing the information published by Telefónica. The pertinent portion of Telefónica's notification states as follows:

Telefónica and the remaining shareholders of the Italian company Telco, S.p.A. (which holds a capital stake of 22.4% of the voting share capital of Telecom Italia S.p.A.) have reached an agreement by virtue of which:

As of today, Telefónica has subscribed for and paid out a capital increase in Telco, S.p.A., through the contribution of 323,772,468 euros in cash, receiving in return non-voting shares of Telco, S.p.A. As a result of this capital increase, the interest held by Telefónica in the voting share capital of Telco, S.p.A. remains unchanged (i.e. 46.18%, as Telefónica currently holds), although its interest in the total share capital of Telco, S.p.A. is increased to 66%. The current governance at Telco, S.p.A.'s level remains unaffected, including the obligation by Telefónica of abstaining from participating or influencing in any decisions which could affect the markets in which both Telefónica and Telecom Italia S.p.A. are present.

Telco, S.p.A. will use the proceeds received from the capital increase to reduce its banking debt.

Subject to receiving any required anti-trust and telecommunications approvals (including in Brazil and Argentina), Telefónica will subscribe for and pay out a second capital increase in Telco, S.p.A., through the contribution of 117,227,532 euros in cash and receiving in return non-voting shares of Telco, S.p.A. As a result of this second capital increase, the interest of Telefónica in the voting share capital of Telco, S.p.A. will remain unchanged (i.e. 46.18%, as Telefónica currently holds), although its interest in the total share capital will be then increased to 70%.

Telco, S.p.A. will use the proceeds received from the second capital increase to partially repay its notes.

Starting from January 1, 2014, subject to receiving any required relevant antitrust and telecommunications approvals (including in Brazil and Argentina), Telefónica may convert all or a portion of the non-voting shares in Telco, S.p.A. held by Telefónica, reaching a maximum of 64.9% of the voting share capital of Telco, S.p.A.

The Italian shareholders of Telco, S.p.A. have granted to Telefonica a call option to acquire all of their shares in Telco, S.p.A., whose exercise is subject to receiving any required anti-trust and telecommunications approvals (including in Brazil and Argentina). The call option may be exercised by Telefonica starting from January 1, 2014 while the Shareholders' Agreement remains in effect, except (i) between June 1, 2014 and June 30, 2014 and between January 15, 2015 and February 15, 2015, and (ii) during certain periods, in case the Italian shareholders Telco, S.p.A. request the demerger of Telco, S.p.A.

The purchase price of the shares, payable in cash, will be based on the equity of Telco, S.p.A. at the end of the month prior to the closing. For this purpose, the value of the shares in Telecom Italia S.p.A. held by Telco, S.p.A. will be valued at the higher of: (i) 1.10 euros per share of TI, and (ii) the average closing trading price of the 30 days prior to the call option exercise notice.

As of today, Telefónica will acquire from the remaining Telco, S.p.A. s shareholders 23.8% of the non-convertible notes issued by Telco, S.p.A., in exchange of 39,021,411 Telefónica s treasury shares, which represent 0.9% of its share capital. In this respect, the remaining Telco, S.p.A. s shareholders have committed: i) to refrain from selling the aforementioned shares during the next 15th business days, and ii) to assume some restrictions that, in case of sale, ensure an orderly sale of such shares.

Telefónica has assumed a standstill obligation under which Telefónica commits not to buy shares in Telecom Italia S.p.A. except if a third party acquires a relevant stake (10% or higher) in the aforementioned company.

Madrid, September 24, 2013.

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Related Party Transactions

We have been involved in a number of transactions with our related parties since the Transfer Date.

Our policy is to make transactions with related parties on an arm's-length basis. In addition, Section 72 of Law No. 26,831 provides that before a publicly-listed company may enter into an act or contract involving a relevant amount with a related party or parties, the publicly-listed company must obtain approval from its Board of Directors and obtain a valuation report from its Audit Committee or two independent valuation firms that demonstrates that the terms of the transaction are consistent with those that could be obtained at an arm's-length basis. For the period that Telecom Argentina's Audit Committee was not yet operational, the valuation report from two independent firms was optional. If the Audit Committee or two independent valuation firms do not find that the terms of the contract are consistent with those that could be obtained on an arm's-length basis, approval must be obtained from the shareholders.

Relevant amount means an amount which exceeds 1% of the issuer's equity as contained in the latest approved financial statements.

Transactions with related parties of Sofora (including Telecom Italia and W de Argentina Inversiones and/or their respective affiliates) resulted in expenses or purchases of approximately P\$479 million for the year ended December 31, 2013. Of that amount, P\$405 million was incurred with Telecom Italia and its affiliates for telecommunications services received by Telecom, international capacity hiring, purchases of equipment and materials and other services provided to Telecom, and P\$74 million incurred with W de Argentina Inversiones affiliates for insurance and labor costs.

Transactions with related parties of Sofora resulted in income for services rendered by us of approximately P\$266 million for the year ended December 31, 2013, corresponding to payments from Telecom Italia and its affiliates of P\$35 million and from W de Argentina Inversiones of P\$231 million for telecommunications services provided by Telecom.

In addition, there were no financial transactions with related parties of Sofora for the year.

See Note 27 to our Consolidated Financial Statements for more detail regarding related parties transactions for the year ended December 31, 2013.

During 2012, Telecom Argentina and Personal entered into technical services agreements with Telecom Italia. The technical service agreement of Telecom Argentina expired in December 2012 and the technical service agreement of Personal expired in March 2014. These agreements were submitted to an independent firm for evaluation, which found them to be reasonable and in accordance with market practice in all material respects and in accordance with the procedure established by Law No. 26,831 for contracts with related parties. These were also submitted and approved by Telecom Argentina's Audit Committee and its Board of Directors. Under the Personal agreement, P\$14.3 million were incurred in expenses for the year ended December 31, 2013.

As of the date of this Annual Report, Telecom Argentina and Personal new technical services agreements with Telecom Italia are pending renegotiation.

As of December 31, 2013, we had no loans outstanding to the executive officers of Telecom Argentina.

Interests of Experts and Counsel

Not applicable.

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ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

See Item 18 for the Company's Financial Statements. For a description of events that have occurred since the date of the Company's Financial Statements, see Item 4 Information on the Company Introduction Recent Developments.

Legal Proceedings

Civil, commercial, labor, regulatory, tax and other matters proceedings

We are parties to several civil, tax, commercial, labor and regulatory proceedings and other claims that have arisen in the ordinary course of business. As of December 31, 2013, Telecom has established provisions, excluding asset retirement obligations and restructuring provision, in an aggregate amount of P\$1,236 million to cover potential losses related to these claims and proceedings in its Consolidated Financial Statements (P\$85 million for regulatory deducted from assets and P\$1,151 million included under liabilities). In addition, as of December 31, 2013, P\$63 million deposited in the Company's bank account have been restricted to be used due to some judicial proceedings.

See Note 17 to our Consolidated Financial Statements for additional information.

Labor Claims

Labor Claims for which ENTel is Liable

The Transfer Agreement provides that ENTel, and not Telecom Argentina, is liable for all amounts owing in connection with claims based upon ENTel's contractual and statutory obligations to former ENTel employees, whether or not these claims are made prior to the Transfer Date, if the events giving rise to these claims occurred prior to the Transfer Date. Certain former employees of ENTel have brought claims against Telecom Argentina, arguing that notwithstanding what the Transfer Agreement or an executive act of the Argentine government stipulate, Telecom Argentina should be held jointly and severally liable for claims made prior to the Transfer Date. The Supreme Court concluded that transferees under privatizations may be held jointly and severally liable for obligations arising from employment contracts prior to the Transfer Date.

As of December 31, 2013, the total amount of these labor claims filed against Telecom Argentina, including accrued interest and expenses, was approximately P\$2 million. Interest and expenses will continue to accrue on any pending amount until it is paid in full. Telecom Argentina believes that the pending claims will not have a significant effect on our results of operations or financial position for two reasons: (1) under the Transfer Agreement, ENTel has expressly agreed to indemnify Telecom Argentina in respect of these claims and (2) the Argentine government has agreed to be jointly and severally liable with ENTel in respect of these indemnity obligations and has authorized Telecom Argentina to debit an account of the Argentine government at Banco de la Nación Argentina for any amounts payable by the Argentine government under this indemnity. Under the Debt Consolidation Act, ENTel and the Argentine government may discharge their above-described obligations to Telecom Argentina by issuing 16-year bonds to Telecom Argentina. In its ruling, the Supreme Court recognized the right of licensees to demand that the Argentine government comply with its Transfer Agreement obligations.

Although we cannot guarantee the outcome of these proceedings, in the opinion of Telecom Argentina's Management and its internal legal counsel, the final outcome will not have a material effect on our financial position, results of operations and cash flows. Moreover, over the years, evolution of these claims resulted in proceedings that

individually and in the aggregate are not material.

Profit Sharing Bonuses

Various legal actions were brought, mainly by former employees of Telecom Argentina, against the Argentine government and Telecom Argentina, requesting that Decree No. 395/92 which expressly exempts Telecom Argentina from issuing the profit sharing bonuses provided in Law No. 23,696 be struck down as unconstitutional. The plaintiffs also claim compensation for damages they suffered because such bonuses have not been issued. In August 2008, the Argentine Supreme Court of Justice found Decree No. 395/92 unconstitutional when resolving a similar case against Telefónica and ordered that the proceedings be remanded back to the court of origin so that such court could

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decide which defendant was compelled to pay the licensee and/or the Argentine government- and the parameters that were to be taken into account in order to quantify the remedies requested (percent of profit sharing, dismissals of claims due to expiration of the applicable statute of limitations, and distribution method between the program beneficiaries). The Supreme Court of Justice has deemed that the resolution against Telefónica's case is applicable to Telecom Argentina when resolving the appeals filed by Telecom Argentina. That criterion has been followed by lower courts.

The Supreme Court has left the determination of incidental issues to the lower courts and asked to take into account that it was the Argentine government who issued the legal rule found to be unconstitutional. On that basis, most of the appellate courts have also found the Argentine government liable and established different methods to calculate the compensation.

Telecom Argentina has filed motions in support of its rights, regarding for example the statute of limitations and the method to calculate the compensation.

In December 2013, the Argentine Supreme Court ruled on a similar case, *Domínguez c/ Telefónica de Argentina S.A.*, overturning a lower court ruling that had barred the claim as having exceeded the applicable statute of limitations since ten years had passed since the issuance of Decree 395/92.

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

At the date of issuance of this Annual Report, there is no assurance as to how such similar case may be resolved, either by a new ruling at the lower court or by any further appeal.

If the expiration of the statute of limitations is not computed as from the date of issuance of Decree No. 395/92 as a result of future jurisprudential interpretation, the estimated increase in Telecom Argentina provisions could range between P\$30 million and P\$35 million.

As of December 31, 2013, Telecom Argentina's Management, with the advice of its legal counsel, has recorded provisions for contingencies that it estimates are sufficient to cover the risks associated with these claims, having considered the legal background.

Additionally, on June 3, 2013 Telecom Argentina was notified of a lawsuit filed by four unions claiming the issuance of a profit sharing bonus (hereinafter the bonus) for future periods and for periods for which the statute of limitations is not expired. In order that this claim will be sustained, the plaintiffs require that Decree No. 395/92 should be declared unconstitutional.

Telecom Argentina, based on the advice of its legal counsel, believes that there are strong arguments to defend its rights based on the expiration of the statute of limitations of the claim for the unconstitutionality of Decree No. 395/92 and the lack of active legal standing for collective claim for bonus issuance due to the existence of individual claims, among other reasons.

This collective lawsuit is for an unspecified amount. The plaintiffs presented the criteria that should be applied for the determination of the percentage of participation in the Company's profit. The lawsuit requiring the issuance of a profit sharing bonus represents an obligation with potential future economic impacts for Telecom Argentina.

In June 2013, Telecom Argentina filed its answer to the claim, arguing that the labor courts lack jurisdiction. On October 30, 2013, the judge rejected the lack of jurisdiction plea and deferred ruling on the defenses of res judicata, lis pendens and on the third party citation required until after a hearing is held by the court. Telecom Argentina has appealed the judge's ruling.

On December 12, 2013 this hearing took place and the intervening court deferred the defense of statute of limitations filed by Telecom Argentina to the moment of the final ruling. It also ordered the plaintiff to establish that they have permission to bring the case on behalf of the Company's employees included in the claim; meanwhile the trial proceeding will be suspended. The plaintiff appealed the decision and the judge deferred this issue to the time of sentencing.

In addition, on February 27, 2014, the Civil and Commercial Appeals Court issued its decision in a Telefónica de Argentina case, ruling that the amount of a profit sharing bonus should be calculated based on the revenues earned in each period deducting all ordinary and extraordinary expenses before income tax obtained by Telefónica de Argentina S.A. Telecom Argentina is analyzing the impact that this rule could have in the following civil and commercial judicial decisions in which Telecom Argentina is a party.

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As of the date of Annual Report, Telecom Argentina's appeal is pending until the documentation requested by the Court of the plaintiffs is resolved.

Contractors and Subcontractors Employees Labor Claims

In recent years, certain contractors and subcontractors employees have brought lawsuits against subcontractors and Telecom Argentina claiming for direct or indirect responsibility based on a broad interpretation of the rules of labor law. The plaintiffs claimed for the application of the telecommunication bargain collective agreement instead of the telecommunication section of construction collective agreement, resulting in wage differences. As of the date of this Annual Report, Telecom Argentina's Management, based on the advice of its legal counsel, has recorded provisions that it estimates are adequate to hedge the risks associated with these claims.

Wage differences by food vouchers and non-remunerative sums

The Company is subject to various lawsuits initiated by some employees and former employees who claim wage differences caused by the impact of the concepts of non-remunerative sums (amounts not subject to social security contributions) and food vouchers over the settlement of items such as overtime, productivity, vacation, supplementary annual salary and other additional benefits provided by the Collective Bargaining Agreement. In this regard, the Supreme Court of Justice has recognized that food vouchers are remunerative and are part of the employees compensation, declaring the unconstitutionality of Sect. 103 bis, inc. C of the Argentine Employment Contract Act (which gives them the character of social benefits). In addition, the Supreme Court of Justice in a case against *Cervecería y Maltería Quilmes* ruled that non-remunerative items resulting from collective bargaining agreements should be considered salaries for all purposes. Considering the judicial precedents, as of December 31, 2013, the Company's Management, based on the advice of its legal counsel, has recorded a provision that it estimates is sufficient to cover the risks associated with these claims.

Sales representative claims

Former sales representatives of Personal have brought legal actions for alleged untimely termination of their contracts and have submitted claims for payment of different items such as commission differences, seniority bonuses and lost profit. Personal believes, based on the advice of its legal counsel, that certain items included in the claims would not be sustained while other items, if sustained, would result in significantly lower amounts. As of the date of this Annual Report, Personal's Management, based on the advice of legal counsel, has recorded provisions that it estimates are sufficient to cover the risks associated with these claims. However, we cannot guarantee the outcome of these proceedings.

Tax Matters

Tax Matters Relating to Telecom Argentina

In December 2008, the National Congress approved Law No. 26,476, the Law on Tax Regularization and Repatriation of Capital establishing a regime for the regularization of tax liabilities, the repatriation of funds and the registration of employees. Title I of the law provides taxpayers with a complete exemption for penal responsibilities in tax matters, for fines and a partial exemption for interest arising out of tax or social security liabilities prior to December 31, 2007.

As discussed in previous Annual Reports, Telecom Argentina was party to various legal proceedings arising from claims by AFIP with regards to:

- (a) AFIP's claim for income tax for fiscal years 1993 to 1999 arising from its disagreement with Telecom Argentina's calculation of the depreciation of its fiber optic network;
- (b) AFIP's claims for income tax for fiscal years 1997 to 2000 challenging Telecom Argentina's certain deductions it made for bad debt expenses; and
- (c) AFIP's claims regarding invoices for certain kinds of services.

Upon detailed analysis of the Regularization Regime, on April 30, 2009 Telecom Argentina decided to settle the AFIP's claims in the time frame established by Title I of the above-mentioned law. The settlement for the above-mentioned tax claims was complete except for item (b), which was partially settled.

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In order to qualify for the Regularization Regime, Telecom Argentina had to voluntarily dismiss legal proceedings previously initiated against AFIP's claims. As a result of the Regularization Regime, regarding the matter mentioned in (c) above, Telecom Argentina has requested the Court to suspend the penal proceedings and dismiss the claims against officers and employees who had been called to give testimony, since the law provides for the suspension of penal proceedings upon adoption of the Regularization Regime, and complete extinguishment of a penal case upon cancellation of all amounts due under the payment plan pursuant to this Regime. As of the date of this Annual Report, a decision of the Court on this matter is still pending.

Telecom Argentina's compliance with the Regularization Regime generated recognition of a debt owed to AFIP in the amount of P\$38 million (nominal value) payable in 120 monthly installments at an annual interest rate of 9%. The Company also recognized a debt for legal fees in connection with these regularized processes in the amount of P\$14 million (nominal value). The value of both liabilities has been set forth under the captions "Income Tax Payables" and "Other Liabilities" classified by the nature and due date of each liability. As of December 31, 2013 such liabilities amounted to P\$13 million and P\$13 million, respectively.

Tax Matters Relating to Personal

In December 2006, the AFIP assessed an additional income tax and tax on minimum presumed income for the 2000 and 2001 tax years claiming that Personal incorrectly deducted certain uncollectible receivables. Personal appealed this assessment before the National Fiscal Tribunal. The AFIP's claim is contrary to certain legal precedents issued by the National Fiscal Tribunal. On February 4, 2014, the National Fiscal Tribunal rejected the AFIP's claim. Personal and its legal counsel believe that the matter would be resolved in its favor unless additional proceedings are filed, if any.

Provincial Taxes

Some provincial tax authorities have filed claims regarding turnover tax and stamp tax. As of the date of this Annual Report, the Company's Management has recorded provisions that it estimates are adequate to hedge the risks.

Municipal Fees

Since 2005, the Company has seen a noticeable increase in legal and extrajudicial claims seeking the collection of various municipal fees in the City of Buenos Aires and various municipalities. As of the date of this Annual Report the Company has recorded provisions that estimate sufficient to cover these claims.

Regulatory Proceedings

There are several penalty procedures that have been initiated against Telecom Argentina with respect to alleged regulatory violations between 2000 and 2013. Most of those procedures are related to delays in repairing defective fixed lines and/or installing new fixed lines.

Although generally a penalty considered on an individual basis does not have a material effect on Telecom Argentina's equity, there is a significant disproportion between the amounts of the penalty imposed by the Regulatory Authority and the revenue that the affected customer generates to Telecom Argentina.

In 2013, the CNC significantly increased its penalty activities, increasing the amount of accusations and penalties, as well as the individual amount of each penalty. In several cases the penalties imposed during 2013 have doubled the economic value of the penalties imposed to Telecom Argentina in previous fiscal years for similar alleged regulatory

violations.

As a result, and notwithstanding the defense arguments submitted by Telecom Argentina at the administrative level, losses recorded during the year ended on December 31, 2013 for regulatory contingencies have significantly increased, reaching P\$117 million (P\$51 million in 2012). In determining the provisions for regulatory sanctions, Telecom Argentina's Management, with the assistance of its legal counsel, has determined the likelihood of such sanctions being imposed and the amount thereof based on historical information and contemplating various probable scenarios of statute of limitations of charges and penalties received at the end of fiscal year 2013.

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For a description of certain administrative appeals filed by the Telecom Argentina with respect to certain regulatory actions, see Item 4 Information on the Company Regulatory Framework. In addition, see Note 17 to our Consolidated Financial Statements for a breakdown of provisions as of December 31, 2013.

General Proceedings

Environmental Proceedings

In 1999, the Argentine national environmental agency (Secretaría de Medio Ambiente y Desarrollo Sustentable) initiated an administrative proceeding against us in connection with our waste management. This agency alleged problems with our liquid drainage at an underground chamber in violation of Argentine environmental law. The agency sought to require Telecom Argentina's registration with the National Register of Generators and Operators of Hazardous Waste. This registration would require Telecom Argentina to pay an annual fee calculated in accordance with a formula that takes into consideration the hazard's extent and the waste quantity. Telecom Argentina believes that its activities did not generate this waste, and that the waste in the underground chamber was generated by other parties. Telecom Argentina nonetheless removed the liquid drainage in accordance with environmental law. We have filed the requisite official responses and we believe that we will not have to register with any environmental agency as a result of this liquid drainage.

In February 2009, Telecom Argentina received a notification from the environmental agency once again requesting that Telecom Argentina be registered in the National Registry of Generators and Operators of Hazardous Waste. In March 2009, Telecom Argentina filed a request for administrative review seeking to obtain rejection of the environmental agency's ordinance. As of the date of this Annual Report, there has yet to be a resolution on the matter.

Considering the evolution and development of environmental legislation and related agencies, Telecom Argentina is in the process of reviewing its interpretation in relation to the registration as a Hazardous Waste Generator that in any case will refer to a reduced number of materials that we use in our operations. Based on the information available to us, the possibility that environmental proceedings will have a significant impact on our financial position and cash flows is remote.

Consumer Trade Union Proceedings

Proceedings other than remote

The Company has been notified of the following complaints filed by Consumer Trade Unions for which although Personal believes there are strong defense arguments for which the claims should not succeed, in the absence of jurisprudence on the matter, Personal's Management (with the assistance of its legal counsel) has classified the claims as possible until a judgment is rendered.

In November 2011, Personal was notified of a lawsuit filed by Consumidores Financieros Asociación Civil para su Defensa claiming that Personal made allegedly abusive charges to its customers by implementing per-minute billing and setting an expiration date for prepaid telecommunication cards.

The plaintiff is seeking damages for unspecified amounts and requests that Personal (i) cease such practices and bill its customers only for the exact time of telecommunication services used; (ii) reimburse the amounts collected in excess in the ten years preceding the date of the lawsuit; (iii) credit its customers for unused minutes on expired prepaid cards in the ten years preceding the date of the lawsuit; (iv) pay an interest equal to the lending rate charged

by the Banco de la Nación Argentina; and (v) pay punitive damages provided by section 52 bis of Law No. 24,240.

Personal responded in a timely manner, arguing the grounds by which the lawsuit should be dismissed, with particular emphasis on the regulatory framework that explicitly endorses Personal's practices, now challenged by the plaintiff in disregard of such regulations.

Although Personal believes there are strong defenses to the claim, in the absence of jurisprudence on the matter, Personal's Management (with the assistance of its legal counsel) has classified the claim as possible until a judgment is rendered. As of the date of this Annual Report, the case is in the discovery phase.

In June 2012 Asociación Protección Consumidores Del Mercado Común Del Sur Proconsumer filed a lawsuit against Personal claiming that the company did not provide the clients with enough information regarding the new prices for the services provided by Personal between May 2008 and

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May 2011. It demands the reimbursement of the increase in the price billed to customers for a period of two months. The plaintiff is seeking damages for unspecified amounts. In August 2012 Personal answered the complaint arguing that the company adequately informed its clients the modifications of the terms and conditions in which the service would be provided. It also filed a jurisdictional plea and a motion alleging the lack of active legal standing of the plaintiff. Such defenses were admitted by the court of first instance In June 2013; the plaintiff appealed the resolution.

Remote Proceedings

Additionally, Consumer Trade Unions have filed several proceedings against the Company. Although we cannot guarantee the outcome of these proceedings, in our opinion, based on the information available to us and the opinion of our legal counsel, the Company has classified those consumer trade unions proceedings as remote. Among others, the most significant proceedings filed against the Company include the following:

In November 1995, Telecom Argentina was served with notice of a complaint filed by a consumer trade union, Consumidores Libres Cooperativa Limitada de Provisión de Servicios Comunitarios, against Telecom Argentina, Telefónica, Telintar and the Argentine government. The suit seeks to declare null, illegal and unconstitutional all rate rules and agreements related to the Transfer Agreement and to reduce the rates of the licensees so as to obtain a rate of return not in excess of an annual 16% on fixed assets as described in the List of Conditions. Furthermore, the complaint seeks reimbursement of sums allegedly received in excess of the 16% rate of return as well as sums resulting from the reduction in the rate of turnover tax for the city of Buenos Aires. The case is currently in the discovery phase.

In October 2001, the Federal Court of Appeals for Contentious and Administrative Matters issued a precautionary measure suspending the ability of telecommunications companies to increase rates by reference to the U.S. consumer price index. However, the Public Emergency Law and the reformation of the exchange regime have had an analogous result to that proposed by the precautionary measure, since they have prohibited, as of January 6, 2002, contracts with the public administration, including public works and services contracts, from being adjusted to dollars or other foreign currencies. The Public Emergency Law was subsequently extended through December 31, 2015. (See Item 4 Information on the Company Regulatory Framework Regulatory Environment Rates).

Additionally, upon the extension of the exclusivity period for the provision of telecommunication services, Consumidores Libres Cooperativa Limitada de Provisión de Servicios Comunitarios filed a new lawsuit in Argentine federal courts against the service providers and the Argentine government. Plaintiffs are seeking damages, an injunction revoking the licenses granted to telecommunication service providers and termination of the exclusivity period. This case is currently in discovery.

In December 2005, the entity Asociación Protección Consumidores Del Mercado Común Del Sur Proconsumer brought an action against the mobile companies, including Personal. The plaintiffs seek to obtain reimbursement for any amounts billed to Personal customers in connection with an investment contribution to the Universal Service Fiduciary Fund. In March 2011, Personal was notified of the first instance resolution, which rejected Proconsumer's claim. The resolution considered the claim to be an unnecessary and an excessive use of judicial time and resources because the reimbursement identified in the complaint had already been made by the defendants. The full reimbursement of the amounts received by Personal in connection with the investment contribution and corresponding interest were listed separately in customer bills and furnished in accordance with the CNC's report dated December 2006. The report also specified the applicable interest rate. In October 2011, the Civil and Commercial Federal Court, Chamber No. II confirmed the rejection of the legal action against Personal. The plaintiff filed an extraordinary appeal which was also rejected. Subsequently, the plaintiff's last legal recourse (Recurso de Queja) was submitted to the

Supreme Court and in May 2013 the Supreme Court rejected it. This judgment is final.

Dividend Policy

The declaration, amount and payment of dividends are determined by a majority vote at an ordinary meeting of all shareholders of Telecom Argentina's capital stock. Under the Argentine Corporations Law, dividends may only be declared out of liquid and realized profits determined based on non-consolidated financial statements prepared in accordance with GAAP effective in Argentina (IFRS in the case of listed companies as Telecom Argentina) and other applicable regulations issued by the CNV and other regulatory bodies. Furthermore, liquid and realized profits can only be distributed when all accumulated losses from past periods have been absorbed and the legal reserve has been constituted (or reconstituted).

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According to CNV rules (New Text 2013) approved by CNV Resolution 622/2013, Shareholders Meetings that approve financial statements in which retained earnings are positive must make a specific determination on the use of such earnings in accordance with the Law No. 19,550 and, as a result, must resolve on its distribution as cash dividends, capitalization with issuance of paid-in shares, use to create reserves other than statutory reserves, or a combination of such alternatives. As a result of this rule the balance of retained earnings after the allocation approved by the Annual Shareholders Meeting should be zero.

Under the above-described restrictions, the legal ability of shareholders at any annual meeting of Telecom Argentina to vote to distribute dividends depends on: (i) the existence of liquid and realized profits and (ii) satisfaction of the financial conditions necessary to distribute dividends without negatively affecting the interests of Telecom Argentina.

In preparing the Annual Report in compliance with Argentine requirements, at the end of each fiscal year, the Board of Directors analyzes Telecom Argentina's economic and financial position and its compliance with the abovementioned restrictions. The Board of Directors also takes into account the funds needed for operative purposes for the following fiscal year. The Board of Directors then proposes a course of action with respect to retained earnings, which may or may not include a dividend distribution. The decision with regards to the Board's proposal is made by the Telecom Argentina's shareholders at the Shareholders Meeting.

Telecom Argentina's shareholders meeting held on April 23, 2013, approved, among other proposals, the allocation of Telecom Argentina's retained earnings as of December 31, 2012, resolving to allocate P\$1,000 million as a Reserve for Future Dividends in Cash and authorizing the Board of Directors to approve the reduction of such Reserve for the purpose of distributing dividends in cash taking into account the economic and financial condition of Telecom Argentina. The Board of Directors at its meeting held on December 13, 2013, approved the reduction of the Reserve in the amount of P\$1,000 million (equivalent to P\$1.03 per outstanding share). The above mentioned dividends were available on December 27, 2013.

Telecom Argentina's Board of Directors, at their meeting held on March 14, 2014, called a shareholders meeting to be held on April 29, 2014, to consider among other issues: (i) the allocation of Telecom Argentina's retained earnings as of December 31, 2013 suggested by the Board of Directors as follows: P\$9 million to the legal reserve; P\$1,202 million (P\$1.24 per outstanding share) for distribution of cash dividends in two equal installments of P\$601 million each, the first one to be paid on May 8, 2014 and the second one during September 2014, and P\$1,991 million to a Voluntary Reserve for Capital Investments; and (ii) the delegation of authority in Telecom Argentina's Board of Directors to determine the allocation of the Voluntary Reserve for Capital Investments.

Significant Changes

No undisclosed significant changes have occurred since the date of the Consolidated Financial Statements.

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On May 22, 2013, Telecom Argentina's Board of Directors, based on the authority delegated by the Ordinary Shareholders' meeting held on May 21, 2013 to disaffect the Voluntary Reserve for Capital Investments, approved the terms and conditions of the Telecom Argentina's Treasury Shares Acquisition Process. Such acquisition process has to be made in pesos in the market in order to avoid any possible damages to Telecom Argentina and its shareholders derived from fluctuations and imbalances between the shares' price and Telecom Argentina's solvency.

The main terms and conditions of the Treasury Shares acquisition process are:

Date of announcement: May 22, 2013

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

Maximum amount of shares subject to the acquisition: the amount of Class B ordinary shares of the Company, P\$1 of nominal value and with one vote each, that may be acquired with the maximum amount to be invested, which amount may never exceed a limit of 10% of the capital stock.

Price to be paid by share: between a minimum of P\$1 and a maximum of P\$32.50 per share. On August 29, 2013 the maximum price was raised by Telecom Argentina's Board of Directors up to P\$40 per share.

Deadline for the acquisition process: April 30, 2014.

By virtue of the offer made by Fintech on November 7, 2013 for the acquisition of the controlling interest of Telecom Italia Group in Telecom Argentina, Telecom Argentina suspended the acquisition of treasury shares. In addition, Telecom Argentina's Board of Directors considered appropriate requiring the opinion of the CNV regarding the interpretation of the provisions of the CNV rules on this matter. As of the date of this Annual Report the CNV response is still pending.

The last acquisition made by Telecom Argentina was on November 5, 2013. The total treasury shares acquired were 15,221,373 by a total amount of P\$461 million (P\$30.29 average per share). Such acquisitions were recorded at the acquisition cost and deducted from equity under the caption "Treasury shares acquisition cost". No profit or loss resulting from holding the treasury shares has been recognized in the income statement. See note 19 d) and Note 3 s) to the Consolidated Financial Statements.

As of December 31, 2013, the capital stock of Telecom Argentina was divided into three classes: Class A Ordinary Shares, nominal value P\$1.00 each ("Class A Shares"), representing 51.00% of the outstanding capital stock of Telecom Argentina, Class B Ordinary Shares, nominal value P\$1.00 each ("Class B Shares"), representing approximately 48.97% of the outstanding capital stock of Telecom Argentina, and Class C Ordinary Shares, nominal value P\$1.00 each ("Class C Shares"), representing approximately 0.03% of Telecom Argentina's outstanding capital stock.

The number of shares as of December 31, 2013 was as follows:

Class of shares	Outstanding shares	Treasury shares	Total capital stock
Class A Shares	502,034,299		502,034,299
Class B Shares	466,857,868	15,221,373	482,079,241
Class C Shares	267,438		267,438
Total	969,159,605	15,221,373	984,380,978

The Class B Shares are currently listed on the Buenos Aires Stock Exchange. The ADSs representing Class B Shares are currently listed on the New York Stock Exchange under the symbol TEO. Each ADS currently represents 5 Class B Shares.

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The table below shows the high and low closing prices of the Class B Shares in pesos for the periods indicated on the *Mercado de Valores de Buenos Aires* (the Buenos Aires Stock Market or BASM), the current principal non-U.S. trading market for such securities. See The Argentine Securities Market. See Item 3 Key Information Exchange Rates for the exchange rates applicable during the periods set forth below.

	Pesos per Class B Share on BASM (1)	
	High	Low
<i>Annual</i>		
2009	13.65	4.90
2010	20.80	11.90
2011	22.70	16.10
2012	20.40	12.30
2013	39.50	16.40
<i>Quarterly</i>		
2012		
First Quarter	20.40	17.45
Second Quarter	18.55	14.30
Third Quarter	16.10	12.30
Fourth Quarter	16.10	12.40
2013		
First Quarter	25.95	16.40
Second Quarter	31.00	22.50
Third Quarter	37.00	22.80
Fourth Quarter	39.50	28.50
<i>Monthly</i>		
2013		
October	37.70	31.70
November	39.50	33.00
December	32.75	28.50
2014		
January	36.50	28.00
February	38.40	32.00
March	37.25	32.60
April (through April 11, 2014)	36.90	34.50

(1) Reflects peso nominal amounts as of that date.

Source: Bolsa de Comercio de Buenos Aires.

The Class B Shares trade on the New York Stock Exchange in the form of ADSs issued by the Depositary under the Deposit Agreement dated as of November 8, 1994, among Telecom Argentina, the Depositary and the registered Holders from time to time of the ADSs issued there under (the Deposit Agreement). Each ADS represents 5 Class B Shares.

The table below shows the high and low closing prices of the ADSs in U.S. dollars on the New York Stock Exchange for the periods indicated.

	US\$ per ADS	
	High	Low
<i>Annual</i>		
2009	18.05	6.55
2010	25.78	15.02
2011	26.92	17.28
2012	21.94	9.37
2013	21.19	12.13
<i>Quarterly</i>		
2012		
First Quarter	21.94	17.51
Second Quarter	17.55	10.00
Third Quarter	12.31	9.39
Fourth Quarter	12.17	9.37

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	US\$ per ADS	
	High	Low
2013		
First Quarter	15.92	12.13
Second Quarter	16.73	13.40
Third Quarter	20.11	13.93
Fourth Quarter	21.19	17.10
<i>Monthly</i>		
2013		
October	20.20	17.24
November	21.19	19.12
December	19.37	17.10
2014		
January	17.85	14.78
February	17.38	15.03
March	19.07	15.83
April (through April 11, 2014)	18.99	17.77

On April 11, 2014, the reported last sale price of the ADSs on the New York Stock Exchange was US\$ 18.90.

Plan of Distribution

Not applicable.

The Argentine Securities Market

As of March 2014 twelve securities exchanges exist in Argentina, of which six (including the Buenos Aires Stock Exchange) have affiliated stock markets and are authorized to quote publicly-offered securities. The oldest and largest of these exchanges is the Buenos Aires Stock Exchange, founded in 1854. For the year ended December 31, 2013, the ten most actively traded equity issues represented approximately 84% of the total volume of equity traded on the market. Trading in securities listed on an exchange is conducted through a *Mercado de Valores* (Stock Market) affiliated with such exchange.

Securities may also be listed and traded on the *Mercado Abierto Electrónico S.A.* (the MAE), an electronic over-the-counter market trading system that functions independently from the Buenos Aires Stock Exchange and the Buenos Aires Stock Market. However, in March 1992, the Buenos Aires Stock Exchange, the Buenos Aires Stock Market and representatives of the dealers on the MAE implemented an agreement that causes trading in equity and equity-related securities to be conducted exclusively on the Buenos Aires Stock Market, while all corporate debt securities listed on the Buenos Aires Stock Exchange may also be traded on the MAE. Trading in Argentine government securities, which are not covered by the agreement, is expected to be conducted principally on the MAE. The agreement does not extend to other Argentine stock exchanges.

The CNV is responsible for the regulation and supervision to ensure the correct application of the rules governing the Argentine Securities Market, which will continue under the new regulatory framework described as follows.

New Capital Market Act Law No. 26,831

On December 28, 2012, the new Capital Market Law (Law No. 26,831) was published in the Official Bulletin. This Law eliminates capital market's self-regulation and grants new powers to the CNV, including the ability to request reports and documents, conduct investigations and inspections of natural and legal persons under its control, call to testify and take informative and testimonial declaration. Likewise, if as a result of investigations performed, it is determined that non-controlling interests or the interests of holders of securities subject to public offering have been harmed, the CNV, according to the severity of the harm determined, may appoint overseers with the power to veto resolutions adopted by the Board of Directors and/or discontinue the Board of Directors for a maximum period of 180 days until deficiencies found are remedied.

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Law No. 26,831 supersedes Law No. 17,811 and Decree No. 677/01, among other rules, and became effective on January 28, 2013.

In August 2013, the Executive Branch issued Decree No. 1,023/13 regulating certain sections of Law No. 26,831, and in September 2013, the CNV issued the Resolution No. 622/13 which established the new comprehensive rules of the CNV and also implements regulation related to certain sections of Law No. 26,831.

The Buenos Aires Stock Market

The Buenos Aires Stock Market, which is affiliated with the Buenos Aires Stock Exchange, is the largest stock market in Argentina. The Buenos Aires Stock Market is a corporation, whose approximately 130 shareholder members are the only individuals and entities authorized to trade in the securities listed on the Buenos Aires Stock Exchange. Trading on the Buenos Aires Stock Market is conducted by continuous open bidding, from 11:00 a.m. to 5:00 p.m. each business day. The Buenos Aires Stock Market also operates a continuous electronic market system each business day, on which privately arranged trades are registered and made public.

Although the Buenos Aires Stock Exchange is one of Latin America's largest securities exchanges in terms of market capitalization, it remains relatively small and illiquid compared to major world markets, and therefore, is subject to greater volatility. To control price volatility, the Buenos Aires Stock Market operates a system which suspends dealing in a particular issuer's shares for fifteen minutes when the price changes 10% with respect to that day's opening price. Once trading resumes, the trading is then suspended for another fifteen minutes if the price changes more than 15% with respect to that day's opening price. If the price then changes 20% with respect to that day's opening price, and for every 5% fluctuation in price thereafter, the trading of such shares is interrupted for an additional ten minutes. Investors in the Argentine securities market are mostly individuals, mutual funds and companies. Institutional investors that trade securities on the Buenos Aires Stock Market, which represent a relatively small percentage of trading activity, consist of a limited number of investment funds.

Certain historical information regarding the Buenos Aires Stock Exchange is set forth in the table below.

	2013	2012	2011	2010	2009
Market capitalization (P\$ billions)(1)	3,356	2,314	1,611	1,900	2,175
As percent of GDP(1)	124	106	87	132	190
Volume (P\$ million)(1)	367,830	242,324	207,805	177,614	133,207
Average daily trading volume (P\$ million)(1)	1,526	1,006	848	722	546
Number of traded companies (including Cedears)	256	267	241	275	254

(1) End-of-period figures for trading on the Buenos Aires Stock Exchange (includes domestic and non-domestic public companies).

Sources: Yearbook 2013 Instituto Argentino de Mercado de Capitales.

Selling Shareholders

Not applicable.

Dilution

Not applicable.

Expenses of the Issue

Not applicable.

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MEMORANDUM AND ARTICLES OF ASSOCIATION

Register

Telecom Argentina's bylaws were registered in the *Inspección General de Justicia* (General Board of Corporations) on July 13, 1990 under number 4,570, book 108, volume A of Corporations. The bylaws with all amendments thereto were registered in the General Board of Corporations on March 31, 2011 under number 5,982, book 53 of Corporations.

Objects and Purposes

Article I, Section 3 of the bylaws states that the object of Telecom Argentina is to render, either on its own account or on account of, or in association with, third parties, telecommunications public services, except for radio broadcasting, under the terms, if any, of the licenses granted by relevant authorities. The bylaws authorize Telecom Argentina to take all actions permitted by law to fulfill its aforementioned objects.

On March 1, 2001, the SC authorized Telecom Argentina to expand its corporate purpose, to include the marketing of equipment, infrastructure and goods of any type related or complementary to telecommunications, and the performance of works and provision of all types of services, including consulting and security related to telecommunications, as well as the development of telecommunications technology and information processing systems. This expansion of the corporate purpose has been approved by the CNV. As a result, the bylaws which reflect this change have been approved and registered in their final form.

On April 30, 2003, Telecom Argentina's shareholders voted not to adhere to the regime established by Decree No. 677/01 (the Statutory Regime of Public Offer of Mandatory Acquisition) and approved the consequent modification of Article 1° of Telecom Argentina's bylaws.

However, since January 28, 2013, when Law No. 26,831 became effective, the universal scope of the Statutory Regime of Public Offer of Mandatory Acquisition governs, as provided in the Law, which states: Article 90. Universal scope. The Statutory Regime of Public Offer of Mandatory Acquisition regulated in this chapter and the residual participation regime regulated in the following chapter includes all listed companies, even those that, under the previous regime, have opted to be excluded of its application.

On February 18, 2004, Telecom Argentina's shareholders voted to change the company's name to Telecom Argentina S.A.

Telecom Argentina's capital stock

The following is a summary of the rights of the holders of Telecom Argentina shares. These rights are set out in Telecom Argentina's *estatutos sociales* (bylaws) or are provided for by applicable Argentine law, and may differ from those typically provided to shareholders of U.S. companies under the corporations laws of some states of the United States.

Limited Liability of Shareholders

Under Argentine law, a shareholder's liability for losses of a company is generally limited to the value of his or her shareholdings in the company. Under Argentine law, however, a shareholder who votes in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's bylaws (or regulations, if any) may be held jointly and severally liable for damages to such company, to other shareholders or to third parties resulting from such resolution. In connection with recommending certain actions for approval by shareholders, the Board of Directors of Telecom Argentina obtained opinions of internal and/or external counsel concerning the compliance of the actions with Argentine law and our bylaws (or regulations, if any). We currently intend to obtain similar opinions in the future as the circumstances require it. Although the issue is not free from doubt, based on advice of counsel, we believe that a court in Argentina in which a case has been properly presented would hold that a noncontrolling shareholder voting in good faith and without a conflict of interest in favor of such a resolution based on the advice of counsel that such resolution is not contrary to Argentine law or our bylaws or regulations, would not be liable under this provision.

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Voting Rights

In accordance with the bylaws, each share entitles the holder thereof to one vote at meetings of the shareholders of Telecom Argentina. All of Telecom Argentina's directors are appointed jointly by shareholders in an Ordinary General Shareholders Meeting.

Under Argentine law, shareholders are entitled to cumulative voting procedures for the election of up to one-third of the vacancies to be filled on the Board of Directors and the Supervisory Committee. If any shareholder notifies a corporation of its decision to exercise its cumulative voting rights not later than three business days prior to the date of a Shareholders Meeting, all shareholders are entitled, but not required, to exercise their cumulative voting rights. Under cumulative voting, the aggregate number of votes that a shareholder may cast is multiplied by the number of vacancies to be filled in the election, and each shareholder may allocate the total number of its votes among a number of candidates not exceeding one-third of the number of vacancies to be filled. Shareholders not exercising cumulative voting rights are entitled to cast the number of votes represented by their shares for each candidate. The candidates receiving the most votes are elected to the vacancies filled by cumulative and noncumulative voting. If no candidate for a particular vacancy receives an absolute majority of votes, the two candidates that received the most votes will participate in a run-off election, and the candidate receiving the most votes in the run-off election will be deemed elected.

In addition, any person who enters into a voting agreement with other shareholders in a public company must inform the CNV of that voting agreement and must file a copy of that voting agreement with the CNV.

Meetings of Shareholders

Shareholders Meetings may be ordinary meetings or extraordinary meetings. Telecom Argentina is required to hold an Annual Ordinary Meeting of shareholders in each fiscal year to consider the matters outlined in Article 234 of the Argentine Corporations Law, Article 71 of Law No. 26,831 and CNV rules, including but not limited to:

approval of Telecom Argentina's financial statements and general performance of the directors and members of the Supervisory Committee for the preceding fiscal year;

election, removal and remuneration of directors and members of the Supervisory Committee;

allocation of profits; and

appointment of external auditors.

Matters which may be considered at these or other ordinary meetings include consideration of the responsibility of directors and members of the Supervisory Committee, as well as capital increases and the issuance of negotiable obligations. Extraordinary Shareholders Meetings may be called at any time to consider matters beyond the scope of the ordinary meeting, including amendments to the bylaws, issuances of certain securities that permit profit sharing, anticipated dissolution, merger and transformation from one type of company to another, etc. Shareholders Meetings may be convened by the Board of Directors or the members of the Supervisory Committee. The Board of Directors or the members of the Supervisory Committee are also required to convene Shareholders Meetings upon the request of

any shareholder or group of shareholders holding at least 5% in the aggregate of Telecom Argentina's capital stock. If the Board of Directors or the members of the Supervisory Committee fail to do so, the meeting may be called by the CNV or by the courts.

Notice of the Shareholders Meeting must be published in the Official Bulletin of the Republic of Argentina and in a widely circulated newspaper in Argentina at least twenty days before the meeting. In order to attend a meeting, shareholders must submit proper evidence of their ownership of shares via book-entry account held at the Caja de Valores S.A. If so entitled to attend the meeting, a shareholder may be represented by proxy.

Class B Shares represented by ADSs will be voted by the Depositary in accordance with instructions of the holders of the ADSs. In order for voting instructions to be valid, the Depositary must receive them on or before the date specified in the relevant notice. There is no guarantee that an ADS holder will receive voting materials in time to instruct the Depositary to vote.

The quorum for ordinary meetings consists of a majority of the stock entitled to vote and resolutions may be adopted by the affirmative vote of a majority of the shareholders present that have issued a valid vote, without counting voluntary abstentions. If no quorum is present at the meeting, a

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second meeting may be called at which shareholders present, whatever their number, shall constitute a quorum and resolutions may be adopted by a majority of the shareholders present. The quorum for extraordinary meetings is 60% of the stock entitled to vote. However, if a quorum is not present at the first meeting, the quorum requirement for the second meeting will be 30% of the stock entitled to vote. In both cases, decisions are adopted by a majority of valid votes, except for certain fundamental matters such as:

mergers and spin-offs, when Telecom Argentina is not the surviving entity and the surviving entity is not listed on any stock exchange;

anticipated liquidation;

change of our domicile to outside Argentina;

total or partial repayment of capital; or

a substantial change in the corporate purpose.

Each of these actions requires a favorable vote of more than 50% of all the stock entitled to vote.

In some of these cases, a dissenting shareholder is entitled to appraisal rights.

Any resolution adopted by the shareholders at Ordinary or Extraordinary Shareholders Meetings that affects the rights of one particular class of stock must also be ratified by a special meeting of that class of shareholders governed by the rules for ordinary meetings.

Dividends

Dividends can be lawfully paid and declared only out of our realized and liquid profit.

The Board of Directors submits to the shareholders for approval at an ordinary meeting of shareholders our financial statements for the previous fiscal year, together with a report thereon by the Board of Directors. The shareholders, upon approving the financial statements, determine the allocation of Telecom Argentina's net profits (if any). Under CNV Rules a Shareholders Meeting convened to approve the financial statements in which retained earnings are positive must make a specific decision on the use of such earnings in accordance with Law No. 19,550 and, as a result, must resolve on its distribution as cash dividends, capitalization with issuance of paid-in shares, use to create reserves other than statutory reserves, or a combination of such alternatives. In addition, the Argentine Corporations Law requires Argentine companies to allocate 5% of any net profits to legal reserve, until the amount of this reserve equals 20% of our capital stock. The legal reserve is not available for distribution. The remainder of net profits may be paid as dividends on common stock or retained as a voluntary reserve or other account, or a combination thereof, all as determined by the shareholders. As provided by CNV Resolution No. 609/12, positive retained earnings generated by the mandatory adoption of IFRS as from January 1, 2012, should be assigned to a Special Reserve that can only be utilized for its capitalization or to absorb negative retained earnings.

Dividends may not be paid if the legal reserve has been impaired, nor until it has been fully rebuilt. Notwithstanding, the obligation to pay declared dividends expires three years after the distribution date pursuant to Section 17 of Telecom Argentina's bylaws, as amended by the Shareholders' Meeting held on April 24, 2002.

Argentine law permits the Board of Directors of certain companies (such as Telecom Argentina) to approve the distribution of anticipated dividends on the basis of a quarter balance or a balance sheet especially prepared for the purpose of paying such dividends, provided that both the external auditors and the Supervisory Committee have issued an opinion report. The actual payment of these dividends is made on an interim basis, and they are paid on account of the dividends to determine in the shareholders' annual meeting on the basis of the financial statements for the year.

See Note 30 to our Consolidated Financial Statements regarding restrictions on distributions of profits and dividends.

Capital Increase and Reductions

Telecom Argentina may increase its capital upon authorization of the shareholders at an ordinary meeting. All capital increases must be registered with the CNV, published in the Official Bulletin and registered with the Public Registry of Commerce. Capital reductions may be voluntary or mandatory. Shares issued in connection with any increase in capital must be divided among the various classes in

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proportion to the number of shares of each class outstanding at the date of the issuance, provided that the number of shares of each class actually issued may vary based on the exercise of preemptive rights and additional preemptive rights in accordance with the procedure described under Preemptive Rights.

A voluntary reduction of capital must be approved by an Extraordinary Meeting of the shareholders and may take place only after notice thereof is published and creditors are given an opportunity to obtain payment or collateralization of their claims, or attachment, except in redemption cases (with liquid and realized profits).

In accordance with Article 206 of the Argentine Corporations Law, suspended by successive decrees until December 10, 2005, reduction of a company's capital stock is mandatory when losses have exceeded reserves and at least 50% of the stated capital (capital stock plus inflation adjustment).

Currently, Telecom Argentina is not required to reduce its capital stock.

Preemptive Rights

Under Argentine law, holders of a company's common shares of any given class have preferential or preemptive rights, proportional to the number of shares owned by each holder, to subscribe for any shares of capital stock of the same class as the shares owned by the shareholder or for any securities convertible into such shares issued by the company.

In the event of an increase in capital, shareholders of Telecom Argentina of any given class have a preemptive right to purchase any issue of shares of such class in an amount sufficient to maintain their proportionate ownership of Telecom Argentina's capital stock. For any shares of a class not preempted by any holder of that class, the remaining holders of the class will assume pro rata the non-preempting shareholders' preemptive rights. Pursuant to the bylaws, if any Class B or Class C Shares are not preempted by the existing holders of each such class, the other classes may preempt such class. However, if any shares of Class A are not preempted by the existing holders of such class, holders of Class B or Class C Shares shall have no preemptive rights with respect to such shares of Class A unless otherwise approved by the regulatory authorities. Preemptive rights must be exercised within 30 days following the time when notices to the shareholders of their opportunity to preempt the capital increase are published for three days in the Official Bulletin of the Republic of Argentina and a widely circulated newspaper in Argentina.

Pursuant to the Argentine Corporations Law, preemptive rights may only be restricted or suspended in certain particular and exceptional cases by a resolution of an Extraordinary Meeting of shareholders when required by the interest of the company.

Conflicts of Interest

A shareholder that votes on a business transaction in which its interest conflicts with that of Telecom Argentina may be liable for damages under Argentine law, but only if the transaction would not have been approved without its vote. See Item 3 Key Information Risk Factors Risks Relating to Argentina Shareholders may be liable under Argentine law for actions that are determined to be illegal or ultra vires. See also Powers of the Directors below for a description of conflict of interest regarding Directors.

Redemption or Repurchase

Telecom Argentina's stock is subject to redemption in connection with a reduction of capital by a majority vote of shareholders at an extraordinary shareholders' meeting. Pursuant to the Argentine Corporations Law, Telecom Argentina may repurchase the stock with liquid and realized profits or available reserves, upon a determination of the

Board of Directors that the repurchase is necessary in order to avoid severe damage to our business (subject to shareholder consideration) or in connection with a merger or acquisition. In addition, Telecom Argentina can purchase up to 10% of its capital stock in the Buenos Aires stock exchange pursuant to Law No. 26,831, complying with the requirements and procedures stated therein. If the purchase is made pursuant to Law No. 26,831, Telecom Argentina must resell the repurchased shares within three years and must give shareholders a preemptive right to purchase the shares, except in case of an employee compensation program or plan or in case the shares are distributed among all the shareholders proportionately or regarding the sale of an amount of shares that in any period of 12 months does not exceed 1% of the Company's capital. In such cases previous approval by a shareholders' meeting is needed.

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Appraisal Rights

Whenever certain extraordinary resolutions are adopted at Shareholders Meetings such as a merger of Telecom Argentina into another entity, a change of corporate purpose, transformation from one type of corporate form to another, or Telecom Argentina's shares cease to be traded publicly, any shareholder dissenting from the adoption of any resolution may withdraw from Telecom Argentina and receive the book value per share determined on the basis of Telecom Argentina's annual financial statements (as approved by the Annual Ordinary Shareholders Meeting), provided that the shareholder exercises its appraisal rights within five days following the meeting at which the resolution was adopted in the case of a dissenting shareholder. This right may be exercised within 15 days following the meeting if the dissenting shareholder was absent and can prove that he was a shareholder on the day of the meeting. In the case of a merger of Telecom Argentina or a spin-off of Telecom Argentina, no appraisal rights may be exercised if Telecom Argentina is the surviving company.

Appraisal rights are extinguished if the resolution is subsequently overturned at another Shareholders Meeting held within sixty days of the expiration of the time period during which absent shareholders may exercise their appraisal rights.

Payment on the appraisal rights must be made within one year of the date of the Shareholders Meeting at which the resolution was adopted. If the resolution was to cease to publicly offer Telecom Argentina's stock, the payment period is reduced to sixty days from the date of the resolution.

Notwithstanding the foregoing, should Telecom Argentina decide to cease trading its shares publicly, pursuant to Article 97 of the Law No. 26,831, a tender offer by Telecom Argentina must be conducted before the exercise of appraisal rights by any shareholder. According to Article 98 of the Law No. 26,831 redemption value is not the book value but is determined based on market value of shares.

Liquidation

Upon liquidation of Telecom Argentina, one or more liquidators may be appointed to wind up its affairs. All outstanding shares of common stock will be entitled to participate equally in any distribution upon liquidation.

In the event of liquidation, the assets of Telecom Argentina shall be applied to satisfy its debts and liabilities. If any surplus remains, it shall be distributed to the holders of shares in proportion to their holdings.

Acquisitions of 5% or More of the Voting Stock of a Public Company

Under Argentine law, any person acquiring 5% or more of the voting stock of a public company must inform the CNV in writing of the acquisition of such voting stock. Additionally, such person must inform the CNV in writing of each additional acquisition of 5% of the voting stock of that particular company, until such person acquires control of that company.

Powers of the Directors

The bylaws of Telecom Argentina do not contain any provision regarding the ability to vote on a proposal, arrangement or contract where a director is an interested party. Under Argentine law, a director may sign contracts with the company that are related to the company's activities so long as the conditions are on an arm's-length basis. If such contract does not meet such conditions, the agreement may only be subscribed with the prior approval of the Board of Directors or, in absence of quorum, with the approval of the Supervisory Committee. Such transactions must

be dealt with at the following Shareholders Meeting, and if such meeting does not approve them, the Board of Directors or the Supervisory Committee (as the case may be) are jointly responsible for any damages caused to the company. Argentine law also requires that if a director has a personal interest contrary to Telecom Argentina s, this must be noted to the Board of Directors and to the Supervisory Committee. The director must refrain from participating in any deliberations or risk becoming jointly and severally liable for all damages caused to Telecom Argentina as a result of the conflict.

Additionally, Law No. 26,831 dictates that the contracts between a company and a director (that qualifies as a related party) when they exceed 1% of the shareholders equity of the company, must be submitted to prior approval of the Audit Committee or of two independent evaluation firms to ensure that the transaction is in accordance with market conditions. Such transactions must also be approved

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by the Board of Directors and reported to the CNV and the exchanges on which the shares of the company are listed. If the Audit Committee or the independent evaluation firms have not determined the terms of the transaction to be according to market conditions, then the contract in question must be submitted for consideration at a Shareholders Meeting.

Section 10 of the bylaws of Telecom Argentina establishes that the remuneration of the members of the Board of Directors is to be determined by the shareholders at their annual meeting. The Audit Committee is to issue a prior opinion on the reasonability of the proposed remuneration, which the Board of Directors submits for approval to the shareholders. Therefore, the Directors do not have the ability to vote on compensation for themselves nor for any other director.

The bylaws of Telecom Argentina do not contain any provision regarding the possibility of granting loans to members of the Board of Directors or Company executives.

Members of the Board of Directors of Telecom Argentina or its subsidiaries or parent company cannot be appointed as members of the Supervisory Committee.

The bylaws of Telecom Argentina do not establish a maximum age to be member of the Board of Directors.

Neither the bylaws of Telecom Argentina nor any Argentine law require the members of the Board of Directors to be shareholders.

Limitations on Foreign Investment in Argentina

Under the Argentine Foreign Investment Law, as amended (the FIL), the purchase of stock by an individual or legal entity domiciled abroad or by a local company of foreign capital (as defined in the FIL) constitutes a foreign investment subject to the FIL. Foreign investments generally are unrestricted. However, foreign investments in certain industries, such as broadcasting, are restricted as to percentage. No approval is necessary to purchase the Class B Shares. The FIL does not limit the right of nonresident or foreign owners to hold or vote the Class B Shares, and there are no restrictions in Telecom Argentina's bylaws limiting the rights of nonresidents or non-Argentines to hold or to vote Telecom Argentina's Class B Shares. Notwithstanding the foregoing, regulations implemented by the CNV require that all shareholders that are companies who register to participate at a Shareholders Meeting should provide details of their registration in the Republic of Argentina. To acquire participation in a company in Argentina, non-Argentine companies are required to comply with the share ownership registration requirements as provided for under Section 123 of the Argentine Corporations Law.

Change of Control

There are no provisions in the bylaws of Telecom Argentina which may have the effect of delaying, deferring or preventing a change in control of Telecom Argentina and that would only operate with respect to a merger, acquisition or corporate restructuring involving Telecom Argentina or any of its subsidiaries, except for the regulatory authorization required for the transfer of Nortel's Class A Shares discussed below. Moreover, the Privatization Regulations and the List of Conditions as modified by Resolutions SC No. 111/03 and No. 29/04 prohibit, without prior SC approval, (i) any transfer of our capital stock that reduces Nortel's ownership of Telecom Argentina to less than 51%, or (ii) any transfer of shares of Nortel that reduces the shareholding of the actual ordinary shareholders to less than 51% of the voting stock of Nortel, except with prior authorization of the SC.

Under Law 26,831 a party that wishes to obtain either a majority or a significant equity ownership interest (with the intention of acquiring control) in a publicly traded corporation must offer a *precio equitativo* as defined in the law to all of the corporation's shareholders. Until the enactment of Law 26,831, this regulation applied to all Argentine corporations with listed securities unless the corporation's shareholders specifically voted not to adopt the regime. On January 28, 2013, Law No. 26,831 became effective. This law states in its Article 90, Universal scope. The Statutory Regime of Public Offer of Mandatory Acquisition regulated in this chapter and the residual participation regime regulated in the following chapter includes all listed companies, even those that, under the previous regime, have opted to be excluded of its application.

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MATERIAL CONTRACTS

For information regarding the Shareholders Agreement, see Item 7 Major Shareholders and Related Party Transactions Shareholders Agreement. We are not a party to the Shareholders Agreement.

FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN ARGENTINA

Due to the deterioration of the economic and financial situation in Argentina throughout 2001, the difficulties in dealing with the servicing of the public foreign debt and the decrease of the total level of deposits in the financial system, the Argentine government issued Decree No. 1,570/01, which, as of December 3, 2001, established a number of monetary and currency exchange control measures that included restrictions on the free disposition of funds with banks and restrictions on transferring funds abroad, with certain exceptions for transfers related to foreign trade and certain other transfers subject to the prior authorization of the BCRA.

On February 8, 2002, the BCRA issued tight restrictions on the transfer of funds abroad in order to make payments of principal and/or interest by requiring prior authorization from the BCRA. Since 2003, these restrictions have been progressively curbed. However, there can be no assurances that the BCRA or other governmental agencies will not increase restrictions for making transfers of funds abroad.

Having completed its debt restructuring as of August 2005, Telecom Argentina is no longer subject to certain significant BCRA restrictions. However, restrictions imposed by the BCRA or other government agencies will not increase restrictions for making transfers of funds abroad:

- (i) the ability to acquire foreign currency as an investment or to apply it to foreign portfolio investments is subject to prior approval of the BCRA;
- (ii) the acquisition of foreign currency to pay principal maturities on foreign debt obligations can be made on the day of such maturities or:
 - 1. within the 10 business days preceding the maturity date, provided that the acquirer complies with the Minimum Holding Term (as defined below);
 - 2. within a certain period of time before the maturity date, as a result of the occurrence of specific conditions established under foreign refinancing agreements executed after February 11, 2002; or
 - 3. before the 10 business day period immediately preceding the maturity date *provided* that the acquirer complies with the Minimum Holding Term and the payment is entirely financed with (i) foreign funds destined to capital contributions; or (ii) new financings granted by international financial institutions and agencies, official foreign credit agencies, and foreign banks, and to the extent that: (a) such prepayment were expressly established as a condition to grant new credits, and (b) such prepayment does not imply an increase in the present value of the outstanding debt.

In June 2005, the Argentine government imposed certain restrictions on inflows and outflows of foreign currency to the local foreign exchange market that remain in effect. New indebtedness entered into the foreign exchange market and debt renewals with non-Argentine residents from the private sector entered in the local foreign exchange market shall be agreed upon and canceled in terms not shorter than 365 calendar days (the Minimum Holding Term), whatever the form of cancellation thereof (i.e. with or without access to the local foreign exchange market). The following transactions, among others, are exempted from this restriction: (i) foreign trade financings (i.e., exports advance payments, prefinancing of exports and imports financing); (ii) balances of foreign exchange transactions with correspondent exchange entities (which are not credit lines); and (iii) primary debt security issuances with a public offering and listing.

Any inflow of funds to the local foreign exchange market arising from, but not limited to, (i) foreign indebtedness, other than the cases described in the following paragraph; (ii) primary stock issuances of companies residing in Argentina not under a public offering and that are not listed in self-governed markets, to the extent they do not create direct investment funds; (iii) portfolio investments of nonresidents intended to hold local currency and assets and liabilities of the financial sector and nonfinancial private sector, to the extent they are not arising from the primary subscription of debt securities under a public offering and listed in self-governed markets and/or the primary subscription of

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stock of companies residing in Argentina under a public offering and listed in self-governed markets; and (iv) portfolio investments of nonresidents intended for the purchase of any right in secondary markets regarding securities issued by the public sector; shall be subject to the creation of a nominative, nontransferable and noncompensated deposit, for 30% of the amount involved in the relevant transaction (the Mandatory Deposit), for a term of 365 calendar days, pursuant to the terms and conditions established in the regulations.

Any inflow of funds to the local foreign exchange market arising from, but not limited to, the following transactions are not subject to the 30% mandatory deposit: (a) foreign indebtedness of Argentine residents under foreign trade financings; (b) primary debt security issuances with a public offering and listed; (c) foreign indebtedness with Multilateral and Bilateral Credit Institutions and Official Credit Agencies, directly or through their related agencies; (d) investments of non-Argentine residents in Argentina under (i) primary subscription of securities issued by the public sector (except for securities issued by the BCRA); and (ii) direct investments, including capital contributions to local companies of direct investment (namely, a company set up or not as legal entity in which the foreign direct investor holds at least 10% of common shares or voting rights or its equivalent), and foreign funds transferred into Argentina by non-Argentine residents for the purpose of purchasing local assets that qualify as direct investment (such as real estate located in Argentina); and (e) foreign financial indebtedness provided: (i) the proceeds from the exchange settlement, net of taxes and expenses, are applied to the purchase of foreign currencies to cancel foreign debt principal and/or to the creation of long-term foreign assets; or (ii) they are incurred and canceled in an average life of not less than two years, including payments of principal and interest in the calculation, and to the extent they are applied to investments in nonfinancial assets. In this context, nonfinancial assets investments mean, among others, investments of assets capable of being registered in the financial statements of the borrower either as fixed assets or as inventory.

Recently, the Ministry of Economy and Public Finance included the following exemptions from the Mandatory Deposit: (i) the inflow of own funds through the foreign exchange market to the extent that such funds are used to purchase local currency for the subsequent payment of tax obligations; and (ii) the inflow of funds from foreign entities financings to be applied to the installation of industrial and technology equipment into local companies, through the acquisition and subsequent delivery in leasing of: (x) equipment that falls within the category of machinery and technology, and (y) certain vehicles within an exhaustive list.

There can be no assurance that the BCRA will not once again require its prior authorization for, or restrict in some other way, the transfer of funds abroad for principal and/or interest payments by Telecom to its foreign creditors or for dividend payments by Telecom to its foreign shareholders.

Argentine companies may keep and spend outside Argentina any capital contributions that they have received abroad. Conversely, if a non-Argentine resident sends its capital contribution to the Argentine company in Argentina or the Argentine company repatriates a contribution received abroad, that transfer will be subject to certain requirements under foreign exchange regulations. Those requirements will vary depending on whether the capital contribution is classified as a portfolio or a direct investment. Direct investments are participations in Argentine companies reaching at least a holding of 10% of their common stock or voting rights (and subsequent contributions of a foreign investor who has already reached that level), and portfolio investments are participations that fall below that minimum. Portfolio investments also include holdings of cash and bank deposits on local currency, as well as debt securities, among others.

Funds of direct investments transferred to Argentina as capital contributions are not subject to the Mandatory Deposit, provided that certain requirements are met and the Argentine company receiving such funds completes and registers with the Public Registry of Commerce the related capital increase by the applicable deadline. The applicable deadline was recently extended and the Argentine company must register with the Public Registry of Commerce within 540

calendar days of the day of its initial filing. Portfolio investments are subject to the Mandatory Deposit.

The impact of foreign exchange regulations on the repatriation rights of non-Argentine resident investors (i.e., the right to use Argentine Pesos received in Argentina by a nonresident due to a sale, liquidation or capital reduction to buy foreign currency and transfer it abroad) also varies depending on whether the investment is a direct or a portfolio investment.

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In any case, both types of investment must be maintained in Argentina for at least 365 days before repatriation.

Communication A 5,237 of the BCRA, effective from October 28, 2011, added a new requirement for non-Argentine direct investors to repatriate Argentine Pesos collected in Argentina as a consequence of a sale or liquidation of the direct investment, capital reduction and reimbursement of capital contributions in Argentina (the Communication). As from the effective date of Communication A 5,237, for such purpose, the funds originally paid for such investment or disbursement for the capital contribution, as applicable, must be transferred to Argentina and sold for pesos in the local foreign exchange market (the Transfer Requirement). Prior to the Communication, non-Argentine investors were not obliged to demonstrate that the funds paid for its investments or disbursements for its capital contributions had been transferred and sold in the exchange market in order to be allowed to repatriate its investment.

The Communication applies to all the direct investments made on and since October 28, 2011. Therefore, all direct investments made before that date are exempt from the Transfer Requirement.

In addition, repatriation of a portfolio investment requires evidence that the original investment involved the transfer of funds to Argentina and is subject to an aggregate maximum limit of US\$500,000 per calendar month.

TAXATION**Argentine Taxes**

The following summary of certain Argentine tax matters is based upon the tax laws of Argentina, and regulations thereunder, in effect as of the date of this Annual Report on Form 20-F and is subject to any subsequent change in Argentine laws and regulations which may come into effect after such date. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a holder of such securities.

Recent amendments to the Income Tax Law

On September 23, 2013, Law No. 26,893 was published in the Official Bulletin, incorporating amendments to the Argentine Income Tax Laws in connection with, among others, the taxation of gains derived from transfers of stocks and dividend distributions. On February 7, 2014, the Executive Branch issued Decree No. 2,334/13 which regulates Law 26,893. Law No. 26,893 became effective on September 23, 2013, and applies to taxable events on or after that date.

Taxation of Dividends

Prior to September 23, 2013, pursuant to Argentine Law No. 25,063 passed by the Argentine Congress on December 7, 1998, dividends of cash, property or capital stock of Telecom Argentina on the Class A, B and C Shares or ADSs were, in general, exempt from Argentine withholding tax and other taxes (other than the Equalization Tax described below). But, as of Law N° 26,893's effective date, dividends and other profits paid in cash or in kind except for stock dividends or quota dividends, by companies and other entities incorporated in Argentina referred to in Argentine Income Tax Law Sections 69 (a) (1), (2), (3), (6) and (7), and Section 69 (b), are subject to income tax at a 10% rate, except for dividends received by Argentine companies and other Argentine entities, which continue to not be subject to income tax. Dividends distributed to nonresidents shall be subject to a 10% withholding tax, as a unique and definitive payment. Consequently, any dividend distribution made by the Company to its shareholders shall be subject to this broadened tax, except for those beneficiaries that are domestic corporate taxpayers, referred to as *sujetos empresa* (such as, for instance, distributions made from Telecom Argentina to Nortel and those from Personal to Telecom Argentina and Nortel) and in addition to withholding, if applicable, of the so called Equalization Tax (as

described below).

Under Argentine income tax law, a corporation that makes a distribution of dividends to its shareholders in excess of the amount of its accumulated taxable net income at the close of the previous taxable year, as determined by application of the Argentine Income Tax Law (the Income Tax Law), must withhold a 35% tax from such excess (the Equalization Tax). For purposes of this rule, the amount of income to be considered shall be determined by (1) deducting from taxable income (calculated under the general rules of the Income Tax Law) the income tax paid by the company and

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(2) adding the dividends and profits not subject to tax received as distributions from other corporations. If the distribution is in kind, then the corporation must pay the tax to the tax authorities and will be entitled to seek reimbursement from the shareholders.

Taxation of Capital Gains

Prior to September 23, 2013, gains earned by non-resident individuals or foreign companies from the sale, exchange or other disposition of ADSs or Class A, B and C Shares were not subject to tax in Argentina. As of September 23, 2013, gains derived from the transfer of shares, quotas and other equity interests, titles, bonds and other securities, are subject to Argentine income tax, regardless of the type of beneficiary who realizes the gain. The effective tax rate applicable is 15%.

However, gains from the transfer of such securities are exempt from such income tax when the securities are listed on a stock exchange and the gains are realized by Argentine individuals or undivided estates.

Capital gains obtained by nonresidents from the transfer of shares, quotas and other equity interests, titles, bonds and other securities are subject to this new tax on capital gains. The tax is to be assessed at the nonresident seller's option by either (i) applying the 15% tax rate on 90% of the sales price or (ii) the excess of the sale price over the acquisition cost net of the other expenses incurred in Argentina necessary to obtain, maintain and preserve this gain. There is currently no guidance under Argentine law with respect to how this election is made. When both the seller and the buyer are nonresidents, the person liable to pay the tax shall be the buyer of the shares, quotas, equity interests and other securities transferred.

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences of holding and disposing of ADSs or Class A, B and C Shares.

Tax on Personal Property

Argentine Law No. 25,585, as amended by Law No. 26,317, imposes a Tax on Personal Property. According to this tax, the following persons are subject to an annual tax on certain assets, which is levied at rates ranging from 0.50% to 1.25% depending on the value of such assets as of December 31 of each year: (i) individuals domiciled in Argentina for assets located in Argentina and abroad and (ii) individuals domiciled outside of Argentina for assets located in Argentina. For purposes of this tax, shares of stock of Argentine corporations, such as Telecom Argentina's ADSs and Class A, B and C Shares are considered assets located in Argentina.

Although the Tax on Personal Property does not explicitly apply to individuals or entities domiciled outside Argentina, pursuant to Argentine Law No. 25,585, shares of stock corporations or other equity interests in companies regulated by Argentine Corporations Law 19,550, as amended, such as the ADSs (held in book entry form or evidenced by ADRs) and Class A, B and C Shares, and whose holders are individuals and/or undivided estates domiciled in Argentina or in a foreign country, shall be subject to the Tax on Personal Property.

The tax rate to be applied is 0.50% and the taxable base is the value of the shareholders' equity as stated in the most recent balance sheet of the company as of December 31 of each year. Such tax shall be assessed on and paid by the corresponding Argentine company issuer of the shares, such as Telecom Argentina. The tax so paid shall be considered as a definite payment.

The abovementioned rules include an irrebuttable presumption that shares of stock corporations and other equity interests of companies regulated by Argentine Corporations Law 19,550, as amended, such as the ADSs (held in book

entry form or evidenced by ADRs) and the Class A, B and C Shares, whose holders are companies, any other legal entities, enterprises, permanent establishments and trusts, domiciled, settled or located in a foreign country, belong indirectly to individuals or individual estates domiciled in a foreign country.

Although Telecom Argentina is required to pay this tax on behalf of the holders of the ADSs and Class A, B and C Shares, it has the right to obtain reimbursement of the amounts paid from its shareholders even if this requires holding and/or foreclosing the property on which the tax is due.

Therefore, Telecom Argentina's ADSs (held in book entry form or evidenced by ADRs) and Class A, B and C Shares held by individuals, irrespective of their place of residence, and legal entities domiciled outside of Argentina are subject to the Tax on Personal Property, which, as mentioned above, shall be paid by Telecom Argentina on behalf of such holders of ADSs (held in book entry form or evidenced by ADRs) and Class A, B and C Shares.

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Telecom Argentina has, from time to time, requested that its shareholders reimburse the amounts of tax on personal property paid on their behalf and has received partial reimbursement of such taxes, however no assurances can be made that Telecom Argentina will be successful in seeking reimbursement of all such taxes paid from holders of ADSs and Class A, B, and C shares. Therefore, as of December 31, 2013, Telecom Argentina has recorded an allowance of P\$18 million for the amounts pending collection. Whenever applicable, tax on personal property paid on behalf of Telecom Argentina's shareholders is deducted from the cash dividend payment.

Value Added Tax

The sale or disposition of ADSs or Class A, B and C Shares is not subject to value added tax.

Other Taxes

There are no national Argentine inheritance or succession taxes applicable to the ownership, transfer or disposition of ADSs or Class A, B and C Shares. There are no Argentine stamp, issue, registration or similar taxes or duties payable by holders of ADSs or Class A, B and C Shares.

Deposit and Withdrawal of Class B Shares in Exchange for ADSs

No Argentine tax is imposed on the deposit or withdrawal of Class A, B and C Shares in exchange for ADSs.

Tax Treaties

Argentina has entered into tax treaties with several countries. There is currently no income tax treaty or convention in effect between Argentina and the United States.

United States Federal Income Taxes

The following discussion is a summary of the material U.S. federal income tax consequences to the U.S. Holders described below of the ownership and disposition of ADSs or Class B Shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a holder of such securities. This summary applies only to U.S. Holders (as defined below) that hold ADSs or Class B Shares as capital assets for U.S. federal income tax purposes and does not address all of the tax consequences applicable to all categories of investors, some of which may be subject to special rules, such as:

certain financial institutions;

dealers and traders in securities who use a mark-to-market method of tax accounting;

persons holding ADSs or Class B Shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the ADSs or Class B Shares;

persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

persons liable for the alternative minimum tax;

persons liable for tax under the provisions of the Internal Revenue Code of 1986, as amended (the Code) known as the Medicare contribution tax;

tax-exempt entities, including an individual retirement account or Roth IRA ;

entities classified as partnerships for U.S. federal income tax purposes;

persons that own or are deemed to own 10% or more of any class of Telecom Argentina stock;

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persons who acquired Telecom Argentina's ADSs or Class B Shares pursuant to the exercise of an employee stock option or otherwise as compensation; or

persons holding ADSs or Class B shares in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds ADSs or Class B Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding ADSs or Class B Shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the ADSs or Class B Shares.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which may affect the tax consequences described herein, possibly with retroactive effect. As mentioned above, there is currently no income tax treaty or convention in effect between Argentina and the United States. U.S. Holders should consult their tax advisers regarding the U.S., Argentine or other tax consequences of the acquisition, ownership and disposition of ADSs or Class B Shares in their particular circumstances, including the effect of any state or local tax laws.

In addition, this summary is based in part on representations of the Depositary and assumes that each obligation provided for in, or otherwise contemplated by, the Deposit Agreement or any other related document will be performed in accordance with its terms.

As used herein, the term "U.S. Holder" means a holder that, for U.S. federal income tax purposes, is a beneficial owner of ADSs or Class B Shares and is:

a citizen or individual resident of the United States;

a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, for U.S. federal income tax purposes, holders of ADSs will be treated as the owners of the underlying Class B Shares represented by those ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying Class B Shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released before delivery of shares to the depositary ("pre-release"), or intermediaries in the chain of ownership between holders and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of American depositary shares. Such actions would also be inconsistent with claiming the preferential rates of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of Argentine taxes, and the availability of the preferential rates of tax for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by such parties or intermediaries.

This discussion assumes that Telecom Argentina is not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

To the extent paid out of current or accumulated earnings and profits of Telecom Argentina (as determined in accordance with U.S. federal income tax principles), distributions made with respect to ADSs or Class B Shares will generally be included in the income of a U.S. Holder as ordinary dividend income. Because Telecom Argentina does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions will generally be reported to U.S. Holders as dividends. Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, dividends paid to certain non-corporate U.S. Holders will be taxable at the preferential rates applicable to long-term capital gain if the dividends represent qualified dividend income. Qualified dividend income means dividends received from a qualified foreign corporation, and a foreign corporation is generally treated as a qualified foreign corporation with respect to dividends paid on stock which is readily tradable on a securities market in the United States (such as the New York Stock Exchange, where our ADSs are traded). U.S. Holders should consult

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their tax advisers regarding the availability of the preferential dividend tax rates in light of their particular circumstances. The amount of a dividend will include any amounts withheld by Telecom Argentina or its paying agent in respect of Argentine income taxes. Dividends will generally be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's (or in the case of ADSs, the Depository's) receipt of the dividend. See *Taxation Argentine Taxes*. The amount of the distribution will equal the U.S. dollar value of the pesos received, calculated by reference to the exchange rate in effect on the date such distribution is received (which, for holders of ADSs, will be the date such distribution is received by the Depository), whether or not the Depository or U.S. Holder in fact converts any pesos received into U.S. dollars. If the distribution is converted into U.S. dollars on the date of receipt, U.S. Holders should not be required to recognize foreign currency gain or loss in respect of the dividend income. Any gains or losses resulting from the conversion of pesos into U.S. dollars after the date on which the distribution is received will be treated as ordinary income or loss, as the case may be, of the U.S. Holder and will be U.S.-source income or loss.

Subject to applicable limitations and conditions that may vary depending upon the circumstances and subject to the discussion above regarding concerns expressed by the U.S. Treasury, Argentine income taxes withheld from dividends on ADSs or Class B Shares will be creditable against a U.S. Holder's U.S. federal income tax liability. However, amounts paid on account of the Tax on Personal Property will not be eligible for credit against a U.S. Holder's federal income tax liability. See *Taxation Argentine Taxes*. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances and to determine the tax consequences applicable to them as a result of amounts paid on account of the Argentine Tax on Personal Property, including whether such amounts are includible in income or deductible for U.S. federal income tax purposes. Instead of claiming a credit, U.S. Holders may elect to deduct otherwise creditable Argentine taxes in computing taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States.

Sale, Exchange or Other Disposition of ADSs or Class B Shares

Gain or loss realized by a U.S. Holder on the sale, exchange or other disposition of ADSs or Class B Shares will be subject to U.S. federal income tax as capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the ADSs or Class B Shares for more than one year. The amount of the gain or loss will be equal to the difference between the U.S. Holder's tax basis in the ADSs or Class B Shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. If an Argentine tax is withheld on the sale or disposition of ADSs or Class B Shares, a U.S. Holder's amount realized will include the gross amount of the proceeds of the sale or disposition before deduction of the Argentine tax. See *Argentine Taxes Taxation of Capital Gains* for a description of when a disposition may be subject to taxation by Argentina. Such gain or loss, if any, will generally be U.S.-source gain or loss for foreign tax credit purposes. U.S. Holders should consult their tax advisors as to whether the Argentine tax on gains may be creditable against the U.S. Holder's U.S. federal income tax on foreign source income from other sources. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Deposits and withdrawals of Class B Shares in exchange for ADSs will not result in taxable gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

Telecom Argentina believes that it was not a passive foreign investment company (PFIC) for U.S. federal income tax purposes for the taxable year 2013. However, because PFIC status depends upon the composition of a company s income and assets and the market value of its assets from time to time, there can be no assurance that Telecom Argentina will not be a PFIC for any taxable year.

If Telecom Argentina were a PFIC for any taxable year during which a U.S. Holder held an ADS or a Class B Share, gain recognized by a U.S. Holder on a sale, exchange or other disposition (including certain pledges) of the ADS or Class B Share would be allocated ratably over the U.S. Holder s holding period for the ADS or Class B Share sold, exchanged or disposed of. The amounts allocated to the taxable year of the sale, exchange or other disposition and to any year before Telecom Argentina became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as

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appropriate, for that taxable year, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of the ADS or Class B Share, to the extent it exceeds 125 percent of the average of the annual distributions on the ADS or Class B Share received by the U.S. Holder during the preceding three years or the U.S. Holder's holding period, whichever is shorter, would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the ADS or C