

TELECOM ARGENTINA SA
Form 20-F
March 27, 2019
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As filed with the Securities and Exchange Commission on March 26, 2019

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, 2018

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)

Gabriel Blasi

(Tel: 54-11- 4968-4019, E-mail: GBlasi@teco.com.ar,

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, representing Class B Ordinary Shares Class B Ordinary Shares, nominal value P\$1.00 per share	New York Stock Exchange New York Stock Exchange*

* 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

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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	683,856,600
Class B Ordinary Shares, nominal value P\$1.00 each	627,953,887
Class C Ordinary Shares, nominal value P\$1.00 each	210,866
Class D Ordinary Shares, nominal value P\$1.00 each	841,666,658

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 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, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer
Non-accelerated filer

Accelerated filer
Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

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," "we," "us," and "our" refer to Telecom Argentina S.A. and its consolidated subsidiaries as of December 31, 2018. Unless otherwise stated, references to the financial results of "Telecom" are to the consolidated financial results of Telecom Argentina and its consolidated subsidiaries. Telecom is engaged in the provision of fixed and mobile telecommunications services, cable television services and broadband services.

The term "Telecom Argentina" refers to Telecom Argentina S.A., excluding its subsidiaries. Telecom Argentina is engaged in the provision of telecommunication services in Argentina. The term "Cablevisión" refers to Cablevisión S.A., together with its consolidated subsidiaries, dissolved without liquidation as a result of the Merger. The term "Merger" refers to the merger between Telecom and Cablevisión with Telecom as surviving entity, effective as of January 1, 2018. Telecom's most significant subsidiaries as of December 31, 2018 were Núcleo (Núcleo S.A.E., a subsidiary engaged in the provision of mobile telecommunication services in Paraguay), PEM S.A. (investments), CV Berazategui S.A. (closed-circuit television services), Cable Imagen S.R.L. (closed-circuit television services), Televisión Dirigida S.A. (cable television services in Paraguay), Adesol S.A. (holding company in Uruguay), Última Milla S.A. (services for telecommunications), AVC Continente Audiovisual S.A. (broadcasting services), Inter Radios S.A.U. (broadcasting services) and Telecom Argentina USA Inc. (telecommunication services in the United States).

Our Consolidated Financial Statements as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, and the notes thereto (the "Consolidated Financial Statements") are set forth on pages F-1 through F-106 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 March 7, 2019 and have been audited by an independent registered public accounting firm.

Due to the high level of inflation prevailing in Argentina during the last three years, management analyzed the parameters established by IAS 29 "Financial reporting in hyperinflationary economies" - paragraph 3, which describe the conditions to consider an economy as hyperinflationary, and concluded that, with respect to Argentina, such conditions have been met for accounting periods ending after July 1, 2018. Therefore, we have restated our Consolidated Financial Statements and the financial information for all the periods reported in this Annual Report based on certain price indexes to take into account the effect of inflation in Argentina. The Consolidated Financial Statements and the financial information included in this Annual Report for all the periods reported are presented on the basis of constant Argentine pesos as of December 31, 2018 ("current currency"). See Risk factors "Risk Related to Argentina" Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins, Item 5 "Operating and Financial Review and Prospects" Economic and Political Developments in Argentina and Note 1.e) to our Consolidated Financial Statements.

Telecom Argentina and its subsidiaries maintain their accounting records and prepare their financial statements in Argentine Pesos, which is their functional currency, except for Núcleo and its subsidiaries and TVD (Guaraníes), Telecom Argentina USA (U.S. dollars) and Adesol (Uruguayan pesos). 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 income and expenses accounts at average exchange rates for each year presented, as restated in terms of the current currency by applying an average index to take into account the effect of inflation in Argentina.

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, references to EUR, euro or are to the lawful currency of the member states of the European Union and references to Argentine Pesos, \$ or pesos are to Argentine Pesos. Unless otherwise indicated, we have translated the Argentine Peso amounts using a rate of P\$37.70 = US\$1.00, the U.S. dollar ask rate published by the Banco de la Nación Argentina (Argentine National Bank) on December 31, 2018. On March 19, 2019, the exchange rate was P\$40.50 = 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 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.

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

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 Securities and Exchange Commission maintains an internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission. Telecom Argentina's telephone number is 54-11-4968-4000, and its principal executive offices are located in Alicia Moreau de Justo 50, (C1107AAB) Buenos Aires, Argentina. Our internet address is www.telecom.com.ar. 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 5 of this Annual Report.

Telecom's Consolidated Financial Statements and the selected financial data included in this Annual Report have been prepared on a consolidated basis, as restated in terms of the current currency to take into account the effect of inflation in Argentina.

Our financial statement data as of and for the years ended December 31, 2017 and 2016 are not comparable with our financial statement data as of and for the year ended December 31, 2018 because of the Merger, which was consummated on January 1, 2018 (the Merger Effective Date). Effective as of the Merger Effective Date, Cablevisión merged into Telecom Argentina. The Merger is part of a global process of convergence in the provision of fixed and mobile telecommunications services, video and internet distribution known as quadruple play. We have accounted for the Merger as a business combination using the acquisition method of accounting under IFRS 3 to account for assets and liabilities of Telecom as of January 1, 2018. The Merger constituted a reverse acquisition, pursuant to which Cablevisión (the legal absorbed entity) was considered the accounting acquirer and Telecom Argentina (the surviving entity) was considered the accounting acquiree (See Item 5 Operating and Financial Review and Prospects). Accordingly, the financial statements of Telecom for periods prior to the Merger Effective Date reflect the historical financial information of Cablevisión, as restated in terms of the current currency to take into account the effect of inflation in Argentina. The information as of and for the year ended December 31, 2018 incorporates, based on the figures corresponding to Cablevisión, the effect of applying the acquisition method to Telecom Argentina to its fair value in accordance with IFRS 3 and the operations of Telecom Argentina as from January 1, 2018. Such figures are presented in this Annual Report restated in terms of the current currency to take into account the effect of inflation in Argentina.

The factors that were considered in determining that Cablevisión should be treated as the accounting acquirer in the Merger were:

(i) the relative voting rights in the surviving entity (55% for the former shareholders of Cablevisión and 45% for the former shareholders of Telecom);

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(ii) the composition of the board of directors in the surviving entity and other committees (audit, supervisory and executive);

(iii) the relative fair value assigned to Cablevisión and Telecom; and

(iv) the composition of the key senior management of the surviving entity.

For more information, see Notes 1.c), 4.a) and 27.a) to our Consolidated Financial Statements.

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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 synergies expected from the Merger;
- the implementation of our business strategy;
- the changing dynamics and growth in the telecommunications and cable markets in Argentina, Paraguay and Uruguay;
- our outlook for new and enhanced technologies;
- the effects of operating in a competitive environment;
- industry conditions;
- the outcome of certain legal proceedings;
- regulatory and legal developments; and
- other factors identified or discussed under Item 3 Key Information Risk Factors.

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This Annual Report contains certain forward-looking statements and information relating to Telecom that are based on current expectations, estimates and projections of our Management and information currently available to Telecom. 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 Telecom'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, may and other similar expressions are generally intended to identify forward-looking statements.

These statements reflect the current views of the management of 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 Telecom 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 and to achieve synergies resulting from the Merger;
- our ability to introduce new products and services that enable business growth;
- uncertainties relating to political and economic conditions in Argentina, Paraguay and Uruguay;
- inflation, the devaluation of the peso, the Guaraní and the Uruguayan peso and exchange rate risks in Argentina, Paraguay and Uruguay;
- restrictions on the ability to exchange Argentine or Uruguayan pesos or Paraguayan guaraníes into foreign currencies and transfer funds abroad;
- the manner in which the Argentine government regulates Law No. 27,078, the Argentina Digital Law or LAD, as amended by Decree No. 267/15, as well as the impact of the new Telecommunications Law, which has not yet been submitted to Congress;

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- the creditworthiness of our actual or potential customers;
- nationalization, expropriation and/or increased government intervention in companies;
- technological changes;
- 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;
- the effects of increased competition;
- reliance on content produced by third parties;
- increasing cost of our supplies;
- inability to finance on reasonable terms capital expenditures required to remain competitive;
- fluctuations, whether seasonal or in response to adverse macro-economic developments, in the demand for advertising; and
- our capacity to compete and develop our business in the future.

Many of these factors are macroeconomic and regulatory 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.

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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 includes GSM, D-AMPS (TDMA) and CDMA. These protocols support high bit rate voice and limited data communications.

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.

4G (fourth-generation mobile system): Fourth-generation mobile service using the LTE technology (Long Term Evolution technology).

Access (or Accesses): Connection provided by Telecom Argentina to Internet services.

ADS: American Depositary Shares issued by JP Morgan, listed on the New York Stock Exchange, each representing rights to five (5) Class B Shares under a Deposit Agreement.

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.

AFTIC (Autoridad Federal de Tecnologías de la Información y de las Comunicaciones): The decentralized and autonomous agency in the scope of the PEN appointed as the Regulatory Authority in the LAD. AFTIC was replaced by the ENACOM.

AMBA (Area Metropolitana Buenos Aires): An area comprising the Autonomous 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.

ANSES FGS: The Fondo de Garantía y Sustentabilidad *del Sistema Integrado Previsional Argentino* managed by ANSES.

Antitrust Authority: The Argentine enforcing authority of the antitrust statutes comprising Argentine Law 25,156, as amended, modified or supplemented from time to time, and its related decrees, resolutions and statutes, which currently is the Argentine *Secretaría de Comercio Interior* with the technical assistance of the CNDC.

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

ARBU (Average Revenue Billed per User): The average monthly revenue billed per user of our fixed telephony services, calculated by dividing total monthly basic charges and traffic revenue by weighted-average number of fixed telephony lines in service during the relevant measurement period.

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ARPU (Average Revenue per User): The average monthly revenue per user of our mobile telephony, broadband and cable television services, calculated by dividing total revenue (including revenue earned from cable and broadband subscription fees, mobile telephony subscription fees, cable premium services, pay-per-view fees and additional outlets but excluding mainly handset, out collect (wholesale) roaming, cell site rental and activation fee revenue) by weighted-average number of subscribers of each service during the relevant measurement period.

Auction Terms and Conditions: Terms and Conditions approved by SC Resolution No. 38/14 for the awarding of frequency bands.

Backbone: Main connection network (mainly by fiber optics) that connect local areas.

BADLAR: Buenos Aires Deposits of Large Amount Rate.

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 is a qualified entity according to article 32 of Law No. 26,831, which acts by delegation of *BYMA (Bolsas y Mercados Argentinos)*.

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

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

Broadcasting: Simultaneous transmission of information to all Nodes and terminal equipment of a network.

BYMA (Bolsas y Mercados Argentinos S.A.): The stock market formed by a spin-off of certain assets of the Merval relating to its stock market operations and capital contributions on the Buenos Aires Stock Exchange. Effective April 17,

2017, the listing of all securities listed on Merval were automatically transferred to BYMA, as successor of Merval's activities.

Cablevisión: Cablevisión S.A., together with its consolidated subsidiaries, dissolved without liquidation as a result of the Merger.

Carrier: Company that makes available the physical telecommunication network.

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.

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.

Churn: The termination of a mobile telephony, cable television or broadband services customer's account. The churn rate is determined by calculating the total number of disconnected customers of each of our mobile telephony, cable television and broadband services over a given period as a percentage of the initial number of customers for such services as of the beginning of the applicable measurement period. Because most of our mobile telephony services are provided under the Personal trademark, historical average monthly churn rates for mobile telephony services customers, included in this Annual Report for comparative purposes, reflect Telecom's operations prior to the consummation of the Merger.

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CNC (Comisión Nacional de Comunicaciones): The Argentine National Communications Commission, which was replaced by the AFTIC, which was replaced by the ENACOM (in December 2015).

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

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

CONATEL: National Communications Commission of Paraguay.

Convergence Products: The purpose of the Merger is to enable Telecom to efficiently offer, in line with the trend both at a national and international level, technological convergence products between media and telecommunications services, in a separate or independent basis, to provide voice, data, sound and image services, both fixed and wireless, in a single product or groups of products for the benefit of consumers of such multiple individual services.

COSO: Committee of Sponsoring Organizations of the Treadway Commission.

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.

CVH: Cablevisión Holding S.A.

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.

Decree No. 267/15: Decree that modifies some aspects of the LAD and Audiovisual Communication Services Law published in the Official Gazette on January 4, 2016. This Decree was subsequently amended by Decree No. 1,340/16 issued by PEN and published in the Official Gazette on January 2, 2017.

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.

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

ENACOM (Ente Nacional de Comunicaciones): Argentine Communications Body within the scope of the *Ministerio de Modernización*, acting as Regulatory Authority as of the date of this Annual Report. ENACOM absorbed the functions of AFTIC.

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

Envíos: Personal Envíos S.A.

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

Fintech: Fintech Telecom LLC.

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 access 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.

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FTTC (Fiber to the Curb or Fiber to the Cabinet): In the case of FTTC the fiber connection reaches the equipment (distribution cabinet) located on the pavement, from where copper connections are run to the customer.

FTTH (Fiber to the Home): In the case of FTTH the fiber connection terminates inside the customer premises.

GCL: General Corporations Law.

GDP: Gross Domestic Product.

GPON: Gigabit-capable Passive Optical Network. A flexible optical fiber access network capable of supporting the bandwidth requirements of business and residential services. GPON systems are characterized, in general, by an optical line termination (OLT) system and an optical network unit (ONU) or optical network termination (ONT) with a passive optical distribution network interconnecting them. There is, in general, a one-to-many relationship between the OLT and the ONU/ONTs, respectively.

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.

IASB: International Accounting Standards Board.

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

ICT services (Information and Communication Technology services): Services to transport and distribute signals or data, such as voice, text, video and images, provided or requested by third-party users, through telecommunications networks. Each service is subject to its specific regulatory framework.

IFC: International Finance Corporation

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

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

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

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

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

IT: Information Technology.

LAD (Ley Argentina Digital): Law No. 27,078, Argentina's Digital Law.

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

Law No. 26,831 (Ley de Mercado de Capitales): Argentine Capital Markets 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 were the rate regulations and those related to the quality of service; the obligations related to the expansion of the network are no longer required.

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Merger: Merger between Telecom Argentina and Cablevisión, effective as of January 1, 2018.

MERVAL (Mercado de Valores de Buenos Aires S.A.): Securities Market of Buenos Aires S.A. On April 17, 2017, BYMA, a stock market authorized by CNV who succeeded to the MERVAL, started the automatic transfer of all the species listed in the MERVAL to BYMA. BYMA was created as a result of the spin-off (*escisión*) of some of the assets of the MERVAL and the capital contribution by the BCBA of its participation in Caja de Valores S.A., the clearing house for securities traded in that market.

M2M: Machine to Machine, information exchange between two remote machines.

MBOU: Mb per user per month.

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.

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) Agreement: 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.

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

Nortel: Nortel Inversora S.A., the direct parent company of Telecom Argentina S.A. until November 30, 2017, when it was absorbed by Telecom Argentina pursuant to the Reorganization.

Northern Region: the Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees, the Privatization Regulations provided for the division of the Argentine telecommunications network operated by ENTel into two regions, the northern region (the Northern Region) and the southern region (the Southern Region) of Argentina. Additionally, these two regions are set forth in Decree No. 1,461/93, which ratified the Resolution No. 575/93 which approved the list of conditions for the public offer for the provision of mobile telecommunication services.

OTT (Over the Top): Over the Top applications or services are those services that bypass traditional network distribution approaches and run over, or on top of, internet networks. OTT refers, in general, to content from a third-party that is delivered to an end-user over the internet that is not provided directly by end-user Internet Service Provider.

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.

Packs: Packages integrated by SMS and minutes that can be purchased or added to those plans that recharge credit.

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

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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. Until November 30, 2017, Telecom Argentina owned 100% of Personal. Commencing December 1, 2017, pursuant to the Reorganization, mobile services provided by Personal have been provided by Telecom Argentina.

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).

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, Law No. 26,896 and Law No. 27,200, which was in effect until December 31, 2017. Among others, the Public Emergency Law granted the PEN 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. The Public Emergency Law ceased to be effective on December 31, 2017.

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

Quadruple play: Means the integration of fixed and mobile telecommunication services as well as pay television and Internet services.

RECPAM (Resultado por exposición a los cambios en el poder adquisitivo de la moneda): Restatement Adjustment Gain (Loss).

Regulatory Bodies: Collectively or individually, the ENACOM, the AFTIC, the SC and the CNC.

Reorganization: Corporate reorganization pursuant to which Telecom Argentina absorbed Sofora, Nortel and Telecom Personal.

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.

SBT (Servicio Básico Telefónico): Basic Telephone Service.

SC (Secretaría de Comunicaciones): The Argentine Secretary of Communications, which was replaced by the AFTIC and subsequently by the ENACOM.

SCMA (Servicio de Comunicaciones Móviles Avanzadas): Mobile Advanced Communications Service.

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

GLOSSARY OF TERMS	TELECOM ARGENTINA S.A.

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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., the indirect parent company of Telecom Argentina S.A. through its participation in Nortel until November 30, 2017, when it was absorbed by Telecom Argentina pursuant to the Reorganization.

Southern Region: See *Northern Region*.

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

STM (Servicio Telefónico Móvil): Mobile Telephone Service.

SU Fund: Universal Service Fiduciary Fund.

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.

Telecom Argentina USA: Telecom Argentina USA, Inc.

Telecom Italia: Telecom Italia S.p.A.

Telefónica: Telefónica de Argentina S.A.

Telintar: Telecomunicaciones Internacionales de Argentina Telintar S.A.

Terms and Conditions: See *Auction Terms and Conditions*.

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.

Tuves Paraguay: Tuves Paraguay S.A.

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

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.

VLG Argentina: VLG S.A.U., an Argentine corporation that is a shareholder of Telecom Argentina and controlled by CVH. (formerly known as VLG Argentina, LLC).

W de Argentina Inversiones/WAI: W de Argentina Inversiones S.A., a former shareholder of Telecom Argentina.

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 selected consolidated income statement data for the years ended December 31, 2018, 2017 and 2016 and the selected consolidated financial position data as of December 31, 2018 and 2017 have been prepared in accordance with IFRS as issued by the IASB and have been derived from our Consolidated Financial Statements included elsewhere in this Annual Report.

Our Consolidated Financial Statements and the financial information included elsewhere in this Annual Report have been restated in terms of the current currency in accordance with IFRS. The Consolidated Financial Statements and the financial information included in this Annual Report for all the periods reported are presented on the basis of constant Argentine pesos as of December 31, 2018. Due to the high level of inflation prevailing in Argentina in the last few years, the Company's Management analyzed the conditions established by IAS 29 paragraph 3 to consider an economy as hyperinflationary. Based on the analysis made in 2018, the Company's Management considers that there is evidence to consider Argentina's economy as hyperinflationary under IAS 29 for accounting periods ending after July 1, 2018. See Presentation of Financial Information, Risk factors Risk Related to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins, Item 5 Operating and Financial Review and Prospects Economic and Political Developments in Argentina and Note 1.e) to the Consolidated Financial Statements.

Telecom's Consolidated Financial Statements and the selected financial data included in this Annual Report have been prepared on a consolidated basis.

Our financial statement data as of and for the years ended December 31, 2017 and 2016 are not comparable with our financial statement data as of and for the year ended December 31, 2018 because of the Merger, which was consummated on January 1, 2018. Effective as of the Merger Effective Date, Cablevisión merged into Telecom Argentina. We have accounted for the Merger as a business combination using the acquisition method of accounting under IFRS 3 Business Combination (IFRS 3) to account for assets and liabilities of Telecom as of January 1, 2018. The Merger constituted a reverse acquisition, pursuant to which Cablevisión (the legal absorbed entity) was considered the accounting acquirer and Telecom Argentina (the surviving entity) was considered the accounting acquire (See Item 5 Operating and Financial Review and Prospects). Accordingly, the financial statements of Telecom for periods prior to the Merger Effective Date reflect the historical financial information of Cablevisión, as restated in terms of the current currency to take into account the effect of inflation in Argentina. The information as of and for the year ended December 31, 2018 incorporates, based on the figures corresponding to Cablevisión, the effect of applying the acquisition method to Telecom Argentina to its fair value in accordance with IFRS 3 and the operations of Telecom Argentina as from January 1, 2018. Such figures are presented in this Annual Report restated in terms of the current currency to take into account the effect of inflation in Argentina.

The factors that were considered in determining that Cablevisión should be treated as the accounting acquirer in the Merger were:

- (i) the relative voting rights in the surviving entity (55% for the former shareholders of Cablevisión and 45% for the former shareholders of Telecom);
- (ii) the composition of the board of directors in the surviving entity and other committees (audit, supervisory and executive);
- (iii) the relative fair value assigned to Cablevisión and Telecom; and
- (iv) the composition of the key senior management of the surviving entity.

For more information, see Note 1.c), 4.a) and 27.a) to our Consolidated Financial Statements.

Accordingly, the financial and operating data for periods prior to the Merger Effective Date reflect the information of Cablevisión.

PART I - ITEM 3 KEY INFORMATION	SELECTED FINANCIAL DATA
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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.

The summary financial data as of and for each of the two years ended December 31, 2015 and 2014 have not been presented as these cannot be provided on a restated basis without unreasonable effort or expense.

PART I - ITEM 3 KEY INFORMATION SELECTED FINANCIAL DATA	TELECOM ARGENTINA S.A.

Table of Contents**CONSOLIDATED SELECTED INCOME STATEMENT AND FINANCIAL POSITION DATA**

	2018	2017 (8) (P\$ million, except per share and per ADS data in P\$)	2016 (8)
INCOME STATEMENT DATA			
Total revenues	168,046	66,649	60,405
Operating costs (without depreciation, amortization and impairment of PP&E)	(111,678)	(42,536)	(40,206)
Operating costs depreciation, amortization and impairment of PP&E and intangible assets	(35,111)	(9,804)	(7,883)
Operating income	21,257	14,309	12,316
Other, net (1)	(18,559)	1,066	4,245
Income tax benefit (expense)	2,838	(5,516)	(6,015)
Net income	5,536	9,859	10,546
Other Comprehensive (Loss) Income, net of tax	1,317	(713)	(1,567)
Total Comprehensive Income	6,853	9,146	8,979
<i>Total Comprehensive Income attributable to Telecom Argentina</i>	6,425	9,090	8,922
<i>Total Comprehensive Income attributable to Non-controlling Interest</i>	428	56	57
Number of shares outstanding at year-end (in millions of shares) (2)	2,154	0.120	0.120
Net income per share (basic and diluted) (3)	2.46	8.21	8.83
Net income per ADS (4)	12.30	n/a	n/a
Dividends per share (5)	13.38	23,083	13,025
Dividends per ADS (6)	66.90	n/a	n/a
FINANCIAL POSITION DATA			
Current assets	33,487	10,626	n/a
PP&E and Intangible assets	210,346	50,336	n/a
Goodwill	120,449	31,954	n/a
Other non-current assets	7,456	1,154	n/a
Total assets	371,738	94,070	n/a
Current liabilities	53,445	18,621	n/a
Non-current liabilities	89,380	20,421	n/a
Total liabilities	142,825	39,042	n/a
Total equity	228,913	55,028	n/a
<i>Equity attributable to Telecom Argentina</i>	225,686	54,182	n/a
<i>Equity attributable to Non-controlling Interest</i>	3,227	846	n/a
Total Capital Stock (7)	2,169	1,200	n/a

(1) Other, net includes Earnings from associates, Debt financial expenses and Other financial results, net.

(2) Number of ordinary shares outstanding at year-end (excludes treasury shares). For the years ended December 31, 2017 and 2016, the Company has divided the net income attributable to the shareholders of the Controlling Company of each period based on 1,184,528,406 ordinary shares, which arise as a result of multiply 120,000 ordinary shares of Cablevisión outstanding for such years by the exchange ratio established in the pre-merger commitment (1 ordinary share of Cablevisión for each 9,871.07005 new shares of Telecom Argentina).

(3) Calculated based on the weighted average number of ordinary shares outstanding during each period (2,153,688,011 ordinary shares for the year 2018, 1,184,528,406 ordinary shares for the years 2017 and 2016). For the years ended December 31, 2017 and 2016, the Company has divided the net income attributable to the shareholders of the Controlling Company of each period based on 1,184,528,406 ordinary shares, which arise as a result of multiply 120,000 ordinary shares of Cablevisión outstanding for such years) by the exchange ratio established in the pre-merger commitment (1 ordinary share of Cablevisión for each 9,871.07005 new shares of Telecom Argentina).

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- (4) Calculated based on the equivalent in ADSs to the weighted average number of ordinary shares outstanding during each period (430,737,602 ADSs for the year 2018, 236,905,681 ADSs for the years 2017 and 2016).
- (5) Dividends per share translated into U.S. dollars amounts to US\$0.35; US\$1,237.69 and US\$819.70 as of December 31, 2018, 2017 and 2016 respectively. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom Argentina shareholders.
- (6) Dividends per ADS translated into U.S. dollars amounts to US\$1.77 as of December 31, 2018. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom Argentina shareholders.
- (7) Ordinary shares of P\$1 of nominal value each.
- (8) Comparatives figures as of December 31, 2017 and 2016 arise from the consolidated financial statements of Telecom as of December 31, 2018.

PART I - ITEM 3 KEY INFORMATION	SELECTED FINANCIAL DATA
	TELECOM ARGENTINA S.A.

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	2018	2017	2016
Number of fixed telephony services lines (thousands)(1)	3,544	12.7	7.7
ARBU (in P\$/month) (national + international) (5)	270.8	23.7	21.3
Internet access (thousands)	4,110	2,318	2,166
ARPU Internet (in P\$/month) (6)	762.0	890.1	738.8
Personal Mobile telephony services lines (thousands)	18,316	n/a	n/a
ARPU Personal (in P\$/month) (7)	213.9	n/a	n/a
MBOU Personal (in Mb per user/month) (2)	2,771.2	n/a	n/a
IDEN telephony services lines (thousands)	314.3	716.6	n/a
ARPU IDEN (in P\$/month) (8)	329.8	348.9	n/a
Núcleo s customers (thousands)(3)	2,387	n/a	n/a
ARPU Núcleo (in P\$/month) (9)	206.3	n/a	n/a
MBOU Núcleo (in Mb per user/month) (2)	4,927.7	n/a	n/a
Cable TV subscribers (thousands)	3,454	3,503	3,528
ARPU Cable TV (in P\$/month) (10)	854.3	835.4	759.7
Headcount (4)	25,343	11,384	10,236

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- (1) Includes lines customers, own usage, public telephony and Integrated Services Digital Network (ISDN) channels.
- (2) Correspond to customers with consumption higher than 10Mb.
- (3) Including Wi-Max Internet customers.
- (4) Including temporary employees, if any.
- (5) Includes 51.5, 9.2 and 10.6 related to the effect of inflation adjustment under IAS29 as of December 31, 2018, 2017 and 2016, respectively.
- (6) Includes 138.7, 346.4 and 367.2 related to the effect of inflation adjustment under IAS29 as of December 31, 2018, 2017 and 2016, respectively.
- (7) Includes 39.9 related to the effect of inflation adjustment under IAS29 as of December 31, 2018.
- (8) Includes 62.7 and 135.8 related to the effect of inflation adjustment under IAS29 as of December 31, 2018 and 2017, respectively.
- (9) Includes 39.2 related to the effect of inflation adjustment under IAS29 as of December 31, 2018.
- (10) Includes 158.1, 325.1 and 377.6 related to the effect of inflation adjustment under IAS29 as of December 31, 2018, 2017 and 2016, respectively.

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 published by Banco de la Nación Argentina). See Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina.

	Average(1)	End of Period
Year Ended December 31, 2016	14.99	15.89
Year Ended December 31, 2017	16.73	18.65
Year Ended December 31, 2018	29.26	37.70
Month Ended October 31, 2018	37.06	35.95
Month Ended November 30, 2018	36.48	37.72
Month Ended December 31, 2018	37.83	37.70
Month Ended January 31, 2019	37.39	37.35
Month Ended February 28, 2019	38.40	39.15
March 2019 (through March 19, 2019)	40.87	40.50

(1) Yearly data reflect average of month-end rates. Monthly data reflect average of day-end rates.

Sources: Banco de la Nación Argentina

Capitalization and Indebtedness

Not applicable.

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Reasons for the Offer and Use of Proceeds

Not applicable.

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 materialize 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

A substantial majority 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 Argentine peso and foreign currencies. In the recent past, Argentina has experienced severe recessions, political crises, periods of high inflation and significant currency devaluation. Argentina experienced economic growth in the last decade, although the Argentine economy has been volatile since year 2011. For example, Argentina's economy grew in 2017, but contracted in 2018. Uncertainty remains as to how several factors would impact the Argentine economy, including among others, inflation rates, exchange rates, commodity prices, level of BCRA reserves, public debt, tax pressures and healthy trade and fiscal balances.

Devaluation of the Argentine 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 generate a substantial portion of our revenues in Argentine pesos (functional currency of Telecom Argentina), any devaluation may negatively affect the U.S. dollar value of our earnings while increasing, in peso terms, our expenses and capital expenditures denominated in foreign currency. 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. A depreciation of the Argentine Peso against major foreign currencies may also have an adverse impact on our capital expenditure program and increase the Argentine peso amount of our trade liabilities and financial debt denominated in foreign currencies. As of December 31, 2018, approximately 63% of our liabilities were denominated in foreign currencies.

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Telecom seeks to manage the risk of devaluation of the Argentine peso by entering from time to time into certain NDF agreements to partially or completely hedge its exposure to foreign currency fluctuations caused by its liabilities denominated in foreign currencies (mainly U.S. dollars). The Company also has financial assets denominated in U.S. dollars, as well as international operations that generate profits in foreign currencies, that help reduce the exposure to liabilities denominated in foreign currencies. See Item 11 Quantitative and Qualitative Disclosures About Market Risk and Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Debt Obligations and Debt Service Requirements.

Beginning on December 17, 2015, the current administration lifted most of the restrictions to access the foreign exchange markets (FX Markets) and the multiple exchange rate system was unified into a floating rate regime. This measure allowed almost a total unification of the multiple exchange rate system applicable at that time over the commercial and financial transactions in Argentina. See Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina.

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In 2018, the Argentine Peso experienced a rapid devaluation against major foreign currencies, particularly against the U.S. dollar. According to the exchange rate information published by the Banco de la Nación Argentina, the Argentine peso depreciated by 102.2% against the U.S. dollar during the year ended December 31, 2018 (compared to 17.4% and 21.9% in the years ended December 31, 2017 and 2016, respectively). As a result of the Argentine Peso's increased volatility, the Argentine government announced several measures to restore market confidence and stabilize its value. Measures implemented by the BCRA include, among others, an increase of short term interest rates and selling foreign currency reserves. The Argentine government in turn announced that it would accelerate the proposed reduction of the fiscal deficit. Further, on May 8, 2018, the current administration announced that the Argentine government would initiate negotiations with the International Monetary Fund (the IMF) with a view to entering into a stand-by credit facility that would give Argentina access to financing by the IMF. On June 20, 2018, the executive board of the IMF approved the terms of the stand-by arrangement (the SBA), consisting of a stand-by credit facility for U.S.\$50.0 billion, subject to adjustments and compliance with certain political and fiscal performance guidelines by the Argentine government. On October 26, 2018, a first review of the SBA concluded with the enlargement of the arrangement for US\$5.7 billion. We cannot predict whether the Argentine government will be able to comply with all terms of the SBA. The ability of the Argentine government to stabilize the foreign exchange market, restore economic growth and meet the terms of the SBA, is subject to uncertainty. The continued depreciation of the Argentine Peso and the failure to meet the terms of the SBA could have a material adverse effect on Argentina's economy and, consequently, our cash flows, financial condition and results of operations.

Since October 2018, the BCRA established an exchange rate band. The band in which the BCRA would not intervene was initially defined between \$34 and \$44, which will be adjusted upwards on a monthly basis. The BCRA will allow the free floating of the currency within this band. These measures implemented by the BCRA have been complemented with, among others, an increase of short term interest rates and a strict control of the money supply. The intention of the BCRA is to avoid excessive fluctuations of the exchange rate. The success of these measures is subject to uncertainty and the continued depreciation of the Argentine Peso could have a material adverse effect on our financial condition and results of operations.

Given the economic and political conditions in Argentina, we cannot predict whether, and to what extent, the value of the Argentine peso may depreciate or appreciate against the U.S. dollar, the euro or other foreign currencies. We cannot predict how these conditions will affect the consumption of services provided by Telecom Argentina or our ability to meet our liabilities denominated in currencies other than the Argentine peso. Moreover, we cannot predict whether the Argentine government will further modify its monetary, fiscal and exchange rate policy. If any of these changes takes place we cannot anticipate the impact these could have on the value of the Argentine 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.

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

In the past, Argentina has experienced periods of high inflation. Inflation has increased since 2005 and has remained relatively high since then. There can be no assurance that inflation rates will not be higher in the future.

On January 2014, a new consumer price index, the National Urban Consumer Price Index (*Indice de Precios al Consumidor Nacional Urbano*, or IPCNu) was published with the aim of improving the accuracy of measurements of the evolution of prices in the Argentine economy. The IPCNu integrates a set of price indexes which allows for the monitoring of the change in several prices in the economy (wholesale, commodities and construction costs, among others) by considering the price information from all the provinces in Argentina. The IPCNu increased by 11.9% over the period from January to October 2015 (according to last available data); and by 23.9% in 2014. In the past, there has been a substantial disparity between the inflation indexes published by the INDEC and the higher inflation indexes estimated by private consulting firms. The INDEC estimated that the Argentine wholesale price index increased by 13.1% in 2012, 14.8% in 2013, 28.3% in 2014 and 10.6% in the period of January to October 2015 (according to the last

available data because INDEC has not disclosed figures for November and December 2015). The INDEC resumed publication of the wholesale price index for full year since 2016, the Argentine Wholesale Price Index increased by 18.8% in 2017, and 73.5% in 2018 on a year-over-year comparison.

On January 8, 2016, the current administration issued Decree No. 55/2016 declaring a state of administrative emergency with respect to the national statistical system and the INDEC until December 31, 2016 (which was not extended). During this state of emergency, the INDEC had suspended publication of certain statistical data (regarding prices, poverty, unemployment and GDP) until it completed a reorganization of its technical and administrative structure capable of producing sufficient and reliable statistical information.

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As a consequence of the aforementioned events, the full year 2015 inflation measure for IPCNu index was not disclosed, and according to last available data (from October 2015) the IPCNu registered an increase of 11.9% over the January to October 2015 period. As alternative guidance to IPCNu, the authorities suggested that other measures should be observed, such as those published by the statistical entity of the Autonomous City of Buenos Aires (IPC CABA) and the San Luis Province that registered an annual increase of 26.9% and 31.6% in 2015, respectively. In turn, the publication of a CPI index for Buenos Aires City and Greater Buenos Aires Area resumed in June 2016 disclosing May 2016 monthly inflation figures, while data for the months in the period January to April 2016 are unavailable. Taking this into account, CPI variation from May to December 2016 was 16.9% and, as alternative guidance, the indexes published by the Province of San Luis and the Autonomous City of Buenos Aires from January to April 2016 represented an increase of 13.9% and 19.2%, respectively. Since July 2017, the INDEC resumed the regular publication of a national consumer price index (National CPI) on a monthly basis. The National CPI index has registered an increase of 24.7% on a year-over-year comparison for 2017. The National CPI variation during 2018 was of 47.6% compared to 2017. The efforts made by the current administration to reduce inflation rate have not achieved the desired results.

The Argentine government continued implementing measures to monitor and control prices for the most relevant goods and services. Despite such measures, the Argentine economy continues to experience high levels of inflation. If the value of the Argentine peso cannot be stabilized through fiscal and monetary policies, an increase in inflation rates could be expected.

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.

Further, higher inflation leads to a reduction in the purchasing power, thus increasing the risk of a lower level of service consumption from our fixed and mobile telephony, cable television and broadband customers in Argentina.

As of July 1, 2018, the peso qualifies as a currency of a hyperinflationary economy, and we are required to apply inflationary adjustments to our financial statements, which could adversely affect our financial statements, results of operations and financial condition and those of our Argentine subsidiaries .

Pursuant to the International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies), the financial statements of entities whose functional currency is that of a hyperinflationary economy must be restated for the effects of changes in a suitable general price index. IAS 29 does not prescribe when hyperinflation arises, but includes several characteristics of hyperinflation. The International Accounting Standards Board (IASB) does not identify specific hyperinflationary jurisdictions. However, in June 2018, the International Practices Task Force of the Centre for Quality (IPTF), which monitors highly inflationary countries categorized Argentina as a country with projected three-year cumulative inflation rate greater than 100%. Additionally, some of the other qualitative factors of IAS 29 were present, providing prima facie evidence that the Argentine economy is hyperinflationary for purposes of IAS 29. Therefore, Argentine companies using International Financial Reporting Standard as adopted by the IASB (IFRS) are required to apply IAS 29 to their financial statements for periods ending on and after July 1, 2018.

Adjustments to reflect inflation, such as those required by IAS 29, were prohibited by law No. 23,928 (the Law 23,928). Additionally, Decree No. 664/03, issued by the Argentine government (the Decree), instructed regulatory authorities, such as Public Registries of Commerce, the Superintendence of Corporations of the City of Buenos Aires and the Argentine Securities Commission (*Comisión Nacional de Valores*) (CNV), to accept only financial statements that comply with the prohibition set forth by the Law 23,928. However, on December 4, 2018, Law 27,468 abrogated Decree No. 664/03 and amended Law 23,928 indicating that the prohibition of indexation no longer applies to the financial

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statements. Some regulatory authorities, such as the Argentine Securities Commission, have required that financial statements for periods ended on and after December 31, 2018 to be submitted to them should be restated for inflation, following the guidelines in IAS 29. However, for purposes of the determination of the indexation for tax purposes, Law 27,468 substituted the WPI (as defined below) for the CPI, and modified the standards for triggering the tax indexation procedure.

During the first three years as from January 1, 2018, the tax indexation will be applicable if the variation of the Consumer Price Index (CPI) exceeds 55% in 2018, 30% in 2019 and 15% in 2020. The tax indexation determined during any such year will be allocated as follows: 1/3 in that same year, and the remaining 2/3 in equal parts in the following two years. From January 1, 2021, the tax indexation procedure will be triggered under similar standards as those set forth by IAS 29.

We cannot predict the full future impact that the eventual application of the Tax Indexation Procedure and related adjustments will have on our financial statements or the effects on our business, results of operations and financial condition.

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Economic and political developments in Argentina, and future policies of the Argentine government may affect the economy as well as the operations of the telecommunications industry, including the operations of Telecom Argentina.

Since assuming office on December 10, 2015, current administration has announced a wide range of economic and policy reforms. As of the date of this Annual Report, the long-term impact of these measures and any future measures taken by the current administration on the Argentine economy as a whole and the telecommunication sector in particular remains uncertain. We believe that the long-term effect of the planned liberalization of the economy and the integration of Argentina to international markets, will be positive for our business. However, it is not possible to predict such effect with certainty and such liberalization could also be disruptive to the economy and fail to benefit or harm the Argentine economy and our business in particular.

Further, presidential and federal congressional elections in Argentina will be held in October 2019, and their impact on the future economic and political environment is uncertain, but likely to be material. No assurances can be made as to the policies that may be implemented by a new Argentine administration, or that political developments in Argentina will not adversely affect the Argentine economy or our business, financial condition or results of operations. In addition, we cannot assure you that future economic, regulatory, social and political developments in Argentina will not impair our business, financial condition or results of operations, or cause the market value of our shares to decline.

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

In November 2008, through Law No. 26,425, Argentina nationalized its private pension and retirement system, which had been previously administered by the AFJPs, and appointed ANSES as its administrator. Argentina's nationalization of its pension and retirement system constituted a significant change in the Argentine government's approach towards Argentina's main publicly traded companies. A significant portion of the public float of these companies was owned by the AFJPs and is currently held by ANSES-FGS, such as the case of Telecom. See Item 7 Major Shareholders and Related Party Transactions. The Argentine 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 AFJPs were significant institutional investors and active market traders in Argentina, the nationalization of the private pension and retirement system affected the access to financing in capital markets for publicly traded companies as well as liquidity within the market.

In addition, prior administrations took several steps to re-nationalize the concessions and utilities that were privatized during the 1990s. We cannot predict whether current or future administrations will take similar or further measures, including nationalization, expropriation and/or increased Argentine governmental intervention in companies. Government intervention in the industries in which we operate could create uncertainties for investors in public companies in Argentina, including Telecom Argentina, as well as have a material adverse effect on our business, financial condition and results of operations. See Economic and political developments in Argentina, and future policies of the Argentine government, may affect the economy as well as the operations of the telecommunications industry, including the operations of Telecom Argentina.

Argentina's economy contracted in 2018 and may contract in the future due to international and domestic conditions which may adversely affect our operations.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative GDP growth, high and variable levels of inflation and currency depreciation and devaluation. Argentina's economy contracted during 2018 and the country's economy remains unstable notwithstanding efforts by the Argentine government to address inflation and foreign exchange instability. 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 conditions in Argentina were to deteriorate, they could have an adverse effect on our results of operations, financial condition and cash flows.

Global economic and financial crises, and the general weakness of the global economy typically, negatively affect emerging economies like Argentina's economy. Global financial instability or increasing interest rates in the United States and other developed countries may impact the Argentine economy and cause a slowdown in Argentina's growth rate or could lead to a recession with consequences in the trade and fiscal balances and in the unemployment level.

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Moreover, Argentine economic growth might be negatively affected by several domestic factors such as an appreciation of the real exchange rate which could affect its competitiveness, reductions and even reversion of a positive trade balance, which, combined with capital outflows could reduce the levels of consumption and investment resulting in greater exchange rate pressure. 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. Access to the international financial markets could be limited. Consequently, an increase in public spending not correlated with an increase in public revenues could affect the Argentina's fiscal results and generate uncertainties that might affect the economy's growth level.

In recent years, several trading partners of Argentina (such as Brazil, Europe and China) have experienced significant slowdowns or recession periods in their economies in recent years. If such slowdowns or recessions were to recur, this may impact the demand for products coming from Argentina and hence affect its economy.

During 2018, the Argentine economy was adversely affected by some of aforementioned factors. If international and domestic conditions for Argentina were to worsen, the Argentine economy 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 which may affect our financial condition, results of operations and cash flows.

Although general economic conditions have shown improvement in the last decade, and political protests and social disturbances have diminished 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 crisis, companies operating 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 case law on labor matters and requiring companies to assume greater responsibility for, and assumption of costs and risks associated with, sub-contracted labor and the calculation of salaries, severance payments and social security contributions. Since we operate in a context in which the governing law and applicable regulations change frequently, including as a result of changes in government administrations, it is difficult to predict if and how our activities will be affected by such changes. See Economic and political developments in Argentina, and future policies of the Argentine government, may affect the economy, as well as the operations of the telecommunications industry, including the operations of Telecom Argentina.

Argentina's ability to obtain financing from international markets is limited, which could affect its capacity to implement reforms and sustain economic growth.

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After Argentina's default on certain debt payments in 2001, the government successfully restructured 92% of the debt through two debt exchange offers in 2005 and 2010. Commencing in 2002, holdout creditors filed numerous lawsuits against Argentina in several jurisdictions, including the United States, Italy, Germany and Japan. These lawsuits generally assert that Argentina failed to make timely payments of interest and/or principal on their bonds, and seek judgments for the face value of and/or accrued interest on those bonds. Judgments have been issued in numerous proceedings in the United States, Germany and Japan. As of the date of this Annual Report, creditors with favorable judgments have not succeeded, with a few minor exceptions, in executing on those judgments.

In 2014, the New York courts enjoined Argentina from making payments on its bonds issued in the 2005 and 2010 exchange offers unless it satisfied amounts due to the holders of defaulted bonds. The Argentine government took a number of steps intended to continue servicing the bonds issued in the 2005 and 2010 exchange offers, which had limited success. Holdout creditors continued to litigate expanding the scope of issues, aiming to include payment by the Argentine government on debt other than the 2005 and 2010 exchange bonds and disputed albeit and successfully the independence of the BCRA.

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The current administration submitted a settlement proposal to holders of defaulted bonds in December 2015 with a view to bringing closure to fifteen years of litigation. Between February and April 2016, the Argentine government entered into agreements in principle with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts, subject to two conditions: (i) obtaining approval by the Argentine National Congress and (ii) the lifting of the pari passu injunctions. On March 31, 2016, the Argentine Congress eliminated the legislative obstacles to the settlement and approved the settlement proposal. On April 22, 2016, Argentina performed an issuance of government bonds for US\$16.5 billion, of which US\$9.3 billion were applied to satisfy payments under the settlement agreements reached with holders of defaulted debt. Since then, substantially all of their remaining claims under defaulted bonds have been settled. Judge Thomas Griesa ordered the lifting of the injunctions that prevented payments to participants from the debt exchange offers of 2005 and 2010, subject to confirmation of the payments indicated above.

Further, on May 8, 2018, the current administration announced that the Argentine government would initiate negotiations with the International Monetary Fund (the IMF) with a view to entering into a stand-by credit facility that would give Argentina access to financing by the IMF. These negotiations have culminated with the celebration of a stand-by agreement that was approved by the IMF Board on June 20, 2018 and a first review under the mentioned stand-by arrangement that was approved by the IMF Board on October 26, 2018, which included the enlargement of the arrangement for US\$5.7 billion.

As of the date of this Annual Report, litigations initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions, although the size of the claims involved has decreased significantly.

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In addition, since 2001 foreign shareholders of some Argentine companies initiated claims for substantial amounts before the International Centre for Settlement of Investment Disputes (ICSID) against Argentina, pursuant to the arbitration rules of the United Nations Commission on International Trade Law. Claimants allege that certain measures of the Argentine government issued during the economic crisis of 2001 and 2002 were inconsistent with the norms or standards set forth in several bilateral investment treaties by which Argentina was bound at the time. To date, several of these disputes have been settled, and a significant number of cases are in process or have been temporarily suspended due to the agreement of the parties.

Notwithstanding that the lifting in 2016 following the settlements with holdout bondholders of the injunction affecting payments to bondholders that participated in the debt exchange offers of 2005 and 2010 eliminates an important obstacle for the country's access to international capital markets, there can be no assurance that litigation initiated by non-accepting bondholders as well as pending claims before the ICSID could result in legal procedures against the Argentine government and this could entail embargoes/seizures or precautionary measures in relation to Argentine assets that the Argentine government allocated to other uses. As a result, the Argentine government may not have the financial resources to implement reforms and boost growth, which could have a significant adverse effect on the country's economy and, consequently, on our activities. Likewise, Argentina's inability to obtain credit in international markets could have a direct impact on the Company's ability to access those markets to finance its operations and its growth, including the financing of capital investments, which would negatively affect our financial condition, results of operations and cash flows. In addition, we have investments in Argentine sovereign bonds amounting to P\$5,009 million as of December 31, 2018. Any new event of default by the Argentine government could negatively affect their valuation and repayment terms, as well as have a material adverse effect on the Argentine economy and, consequently, our business and results of operations.

The Argentine banking system may be subject to instability which may affect our operations.

The Argentine banking system has experienced several crisis in the past. Among those, 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 such as internal conflicts with certain sectors of the Argentine economy, the international financial crisis and the increased regulation on the FX Market, have decreased depositors' confidence. In recent years, the Argentine financial system grew significantly with a marked increase in loans and private deposits, showing a recovery of credit activity. In spite of the fact that the financial system's deposits continue to grow, they are mostly short-term deposits and the sources of medium and long-term funding for financial institutions are currently limited. In 2018, private deposits in pesos rose by 41% year-over-year, fueled by the growth of time deposits with a 66% increase, while savings and current accounts each experienced a 23% increase year-over-year. In contrast, peso-denominated loans increased at a slower pace than prior years. Meanwhile, loans in foreign currency (composed mainly of corporate loans) showed less dynamism, increasing by 4% at the end of 2018.

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

Despite the strong liquidity currently prevailing in Argentina's financial system, a new crisis 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, lower sales of devices 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.

Exchange controls and restrictions on transfers abroad and capital inflows have limited, and could limit in the future, the availability of international credit.

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The BCRA has imposed restrictions on the transfer of funds outside of Argentina in the past; some restrictions may be reimposed 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 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* or *MULC*) with significant regulations and restrictions for the purchase and transfer of foreign currency.

Between 2011 and 2015, the Argentine government implemented a series of measures aimed to increase procedures and 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, among others. 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 no regulations prohibited making dividend payments to foreign shareholders, in practice authorities substantially limited any purchase of foreign currency to pay dividends during the 2011 through 2015 period.

The current administration has eliminated all substantial exchange restrictions implemented by the previous administration. Notwithstanding the measures adopted by the current government, there can be no assurance that the BCRA or other government agencies will not in the future 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.

We are subject to Argentine and international anti-corruption, anti-bribery and anti-money laundering laws. Our failure to comply with these laws could result in penalties, which could harm our reputation and have an adverse effect on our business, financial condition and results of operations.

The United States Foreign Corrupt Practices Act of 1977, the Organisation for Economic Co-Operation and Development Anti-Bribery Convention, the Argentine Anti-Money Laundering Law (*Ley de Prevención del Lavado de Activos*), the Argentine Corporate Criminal Liability Law (*Ley de Responsabilidad Penal Empresaria*) and other applicable anti-corruption laws prohibit companies and their intermediaries from offering or making improper payments (or giving anything of value) to government officials and/or persons in the private sector for the purpose of influencing them or obtaining or retaining business and require companies to keep accurate books and records and maintain appropriate internal controls. In particular, the Argentine Corporate Criminal Liability Law provides for the criminal liability of corporate entities for criminal offences against public administration and transnational bribery committed by, among others, its attorneys-in-fact, directors, managers, employees, or representatives. In this sense, a company may be held liable and subject to fines and/or suspension of its activities if such offences were committed, directly or indirectly, in its name, behalf or interest, the company obtained or may have obtained a benefit therefrom, and the offence resulted from a company's ineffective control.

It may be possible that, in the future, there may emerge in the press allegations of instances of misbehavior on the part of former agents, current or former employees or others acting on our behalf or on the part of public officials or other third parties doing or considering business with us. While we will endeavor to monitor such press reports and investigate matters which we believe warrant an investigation in keeping with the requirements of compliance programs, and, if necessary make disclosure and notify the relevant authorities, however, any adverse publicity which such allegations attract might have a negative impact on our reputation and lead to increased regulatory scrutiny of our business practices.

If we or individuals or entities that are or were related to us are found to be liable for violations of applicable anti-corruption laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we or other individuals or entities could face civil and criminal penalties or other sanctions, which in turn could have a material adverse impact on our reputation, business, financial condition and results of operations.

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Risks Relating to Telecom and its operations

We face substantial and increasing competition in the Argentine fixed and mobile telephony, cable television and broadband businesses.

The fixed and mobile telephony, cable television and broadband businesses in Argentina are competitive. Our competitors may consummate transactions that result in a further consolidation of the industry and convergence with the telecommunications industry. Therefore, we may lose a portion of our market share which may create additional risks and adversely impact our financial condition and results of operations. See We may become subject to burdensome government regulations and legal uncertainties affecting the services we offer could adversely affect our operations.

We compete with other cable television operators that have built networks in the areas in which we operate, providers of other pay television services, including direct broadcasting, direct-to-home satellite and multi-channel multi-point distribution system services, licensed suppliers of basic telephone services and cooperative entities providing utility services and also with free broadcasting services which are currently available to the Argentine population in certain areas from four privately-owned television networks (including one owned by Grupo Clarín) and their local affiliates and one state-owned national public television network. We expect competition to increase in the future due to a number of factors, including the development of new technologies.

In relation to Mobile services, we anticipate that we will have to devote significant resources to the refurbishment and maintenance of our existing network infrastructure to comply with regulatory obligations and to remain competitive with respect to the quality of our services. In addition, we must comply with the obligations arising from the acquisition of the 4G spectrum. We also expect to continue to devote resources to customer retention and loyalty in such segments.

Technological innovation relating to fixed and mobile telephony, cable television and broadband transmission increases the level of competition that we face and requires us to make frequent investments to develop new and innovative programming services and products to attract and retain fixed and mobile telephony, cable television and broadband customers. We cannot assure you that we will be able to make investments necessary to remain competitive, or that we will be able to attract customers and retain our current customers. A substantial loss of our customers to competitors would have a material adverse effect on our business results of operations.

Additionally, the deployment of our wireless network requires authorizations from municipalities to enable the installation of new sites throughout the country, which if not obtained in a timely manner and form, would limit the growth of our business and affect the quality of services provided under the brand Personal. If we are not successful in obtaining those permits and if our competitors do obtain them, this could result in a competitive disadvantage for us.

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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.

We cannot assure you that we will be able to expand broadband service to other areas or continue to provide it in the areas in which it is currently offered, or that we will be able to compete successfully with other broadband providers.

We also face competition from other broadband service providers. Certain competitors of the cable television and broadband business have well-established name recognition, larger customer bases, and significant financial, technical and marketing resources. This may allow them to devote greater resources than us to the development and promotion of their business. These competitors may also engage in more extensive research and development, adopt more aggressive pricing policies and make more attractive offers to advertisers. Competitors may develop products and services that are equal or superior to our offers or that achieve greater market acceptance. As a result, competition may have a material adverse effect on our operations.

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.

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Competitiveness is and will continue to be affected by the business strategies and alliances put in place by our competitors. We may face additional pressure on the prices 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.

Additionally, if in the future licensees of ICT services are allowed to register and provide subscription broadcasting service by satellite link, it will ease the entry of new competitors into the market. As a result, we may face additional pressure with respect to prices we charge for our services or experience a loss of participation in the subscription broadcasting market.

Given the range of regulatory, business and economic uncertainties we face, it is difficult to predict with precision and accuracy our future market share in relevant geographic areas and customer segments, or to anticipate a decrease in demand for the products we offer that could result in a reduction of our revenue market share, or the speed with which such 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.

Our revenues are cyclical and depend upon the condition of the Argentine economy.

Revenues generated by our fixed and mobile telephony, cable television and broadband operations have proven cyclical and depend on general economic conditions. In the past, a general economic downturn in Argentina has had, and would be expected to have in the future, a negative effect on our revenues and a material adverse effect on our results of operations. Historically, for example, increases in losses of cable television subscribers have corresponded with general economic downturns and regional and local economic recessions. In particular, the 2001-2002 Argentine economic crisis had a material adverse effect on our cable television revenues. Moreover, most of our revenues are denominated in Pesos, exposing us to risks related with fluctuations in the value of the Peso. See Risk Factors Risks 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.

We may become subject to burdensome regulations, ordinances and laws affecting the services we offer which could adversely affect our operations.

Activities in the fixed and mobile telephony, cable television and broadband businesses are subject to risks associated with the adoption and implementation of laws and governmental regulations that reflect changing governmental policies over time. The Argentine government has historically exercised significant influence over the economy, and telecommunications companies in particular have operated in a highly regulated environment. In the past, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. Regulations such as the Argentine Secretary of Communications (SC) Resolution No. 5/13 and the new regulatory framework governing the quality of telecommunication services established by Resolution MIDMOD N°580/2018 could further increase penalties imposed by the regulatory authorities. 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; negatively impacting our mobile service coverage, which in turn affects our quality of services. Provinces have increased their tax rates, particularly turnover tax rates. Municipal and provincial tax authorities have also brought an increasing number of claims against us, which we are contesting. See Item 8 Financial Information Legal Proceedings Tax Matters for more information. If changes to existing laws and regulations lead to negative consequences for the Company, our business, financial condition, results of operations and cash flows may be adversely affected.

After the deregulation of Argentina's telecommunications and media industries in 1995, the Broadcasting Law (as defined below), the LAD and their implementing regulations have been amended on a number of occasions, modifying requirements to hold or transfer broadcasting licenses. In addition, we are subject to the regulations of certain other governmental entities, including the SCI, which has issued resolutions requiring Argentine cable television operators to apply a formula to calculate their customers' monthly subscription prices. We can offer no assurances that we will not be subject to similar regulations in the future, which could force us to modify the prices of subscription services and have a material adverse effect on the revenues generated by our activities relating to the cable television and broadband businesses.

The Regulatory Authorities have imposed increasing burdens and new regulations on companies that could increase the penalties they can impose for breaches of the regulatory framework.

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If the technical comments are not taken into consideration, compliance with the current standards could be difficult which may result in penalties for telecommunications operators, including Telecom, affecting our ability to execute our business plan since such penalties could impose increased operation costs, among other effects.

Furthermore, the LAD, which became effective on December 19, 2014 and regulates ICT services, incorporated numerous modifications to the regulatory framework applicable to telecommunications services in Argentina. Although the law requires the enactment of new regulations most of which have not been issued to date, there is still uncertainty regarding how certain aspects, such as the sanctions regime, the provision of infrastructure to other providers and the asymmetries that may be imposed on the dominant operator, among others, will be regulated as well as uncertainty regarding the impact that any new regulations may have on Telecom Argentina. See Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework Other Regulations.

Additionally, the LAD (as amended by Decree No. 267/15), under Article 48 of Title VI, established that licensees of ICT services may freely set their prices which shall be fair and reasonable, to offset the costs of exploitation and to tend to the efficient supply and reasonable margin of operation. However, the Regulatory Authority is entitled to monitor, and intervene with respect to, prices set by the Company if it understands that such prices do not comply with Article 48 of the LAD. If prices are deemed unreasonable, and the Regulatory Authority consequently imposes restrictions on our prices, our operating margins may be adversely affected. Our ability to comply with the conditions in our license, as well as the relevant provisions in applicable regulations and laws, may be affected by events or circumstances outside of our control, and therefore we cannot predict whether such events or circumstances result in an adverse effect on our financial condition, our operations and cash flows.

Also, cable television services were initially required to bring its cable systems fully into compliance with municipal regulations prohibiting above-ground cables in Mar del Plata by November 2001, although pursuant to a modification in municipal regulations in February 2005, the deadline was extended to December 2007. We will seek to continue to upgrade our existing cable systems, including any network upgrades or modifications required by regulatory or local authorities if we have sufficient cash flow and financing is available at commercially attractive rates. The applicable ordinance provides that certain penalties may be imposed, including the suspension of the right to use the air space; however the city generally has not imposed penalties on non-compliant cable systems. As of the date of this Annual Report, no fines have been imposed in relation to this matter.

We may also be subject to additional and unanticipated governmental regulations in the future. For more information on the regulatory framework, see Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework.

Technological advances and replacement of our equipment may require us to make significant expenditures to maintain and improve the competitiveness of the services we offer.

Our industries are subject to significant changes in technology and the introduction of new products and services. We cannot predict the effect of technological changes on our business. New services and technological advances related to the telecommunications, cable television and broadband industries are likely to offer additional opportunities to compete against us on the basis of cost, quality or functionality. It may not be practicable or cost-effective for us to replace or upgrade our installed technologies in response to our competitors' actions. Responding to such change may require us to devote substantial capital to the development, procurement or implementation of new technologies, and may depend on the final cost in local currency of imported technology and our ability to obtain additional financing. No assurance can be given that we will have the funds to make the capital expenditures to improve our systems, compete with others in the market or replace equipment used in connection with our businesses.

Moreover, in relation to broadband and mobile telephony services, we expect that those services will continue to account for an increasing percentage of our revenues in the future those services are, 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, we must constantly upgrade our access technology and software for the internet service market, in order to increase the speed of our network and improve the commercial offers and the user experience. Also, to remain competitive in the mobile telecommunications market, we must continue to enhance our mobile networks by expanding our network. See Item 4 Information on the Company The business 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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The media industry is a dynamic and evolving industry, and if it does not develop and expand as we currently expect, our results and operations relating to our cable television and broadband businesses may suffer.

We expect to derive an increasing amount of revenues from our activities in the cable television and broadband industries, but we may not do so if these non-traditional media operations do not develop and expand as we currently expect. The role of cable television in Argentina became increasingly important in the past. More recently, non-traditional technologies, including Over-The-Top services (which are services provided by a telecommunications provider through Internet Protocol (IP) networks not necessarily owned by the provider, including communications, content and cloud-based offerings), such as technologies used by Netflix or other IP operators, have come to play a larger role in the Argentine telecommunications industry. These companies take advantage of the deregulation of the sector to bring their services through third-party networks without paying any fee or right to use it. These technology and new services areas are in the early stages of development, and growth may be inhibited for a number of reasons, including:

- the cost of connectivity;
- concerns about security, reliability, and privacy;
- unexpected changes in the regulatory framework;
- the appearance of technological innovations;
- the ease of use; and
- the quality of service.

Our business, financial condition and results of operations will be materially and adversely affected if these markets do not continue to grow or grow more slowly than we anticipate.

In addition, unlike the Argentine cable television industry, which has traditionally been dominated by companies located in Argentina, competitors in the cable television and broadband industries may be based outside of Argentina and enjoy certain competitive advantages such as scale and access to financial resources on terms that are better than those available to us.

We may not be able to renew programming contracts on favorable terms.

We purchase basic and premium programming from approximately 52 programming suppliers. Several programming suppliers agreed to offer volume discount pricing structures because of the growth and market share shown by our cable television operations. Following Argentina's economic crisis in 2002, participants in the cable television industry renegotiated the terms of a majority of the respective programming contracts that had originally been denominated in U.S. Dollars to provide for Peso-denominated pricing formulas that were generally linked to the number of subscribers and eliminated minimum purchase requirements. As a result of the renegotiation, contract terms were generally shortened and pricing provisions were adjusted in order to transfer the benefit of increases in the monthly fee for basic cable television services to the programming companies. The new contracts also provided for automatic termination upon the occurrence of major macroeconomic disruptions. We cannot assure you that we will be able to regularly negotiate renewals of our programming contracts at current cost levels, particularly since many of our suppliers have U.S. Dollar-based costs. Additionally, suppliers are expected to seek price increases as a reflection of economic conditions in Argentina. There can similarly be no assurances that we will be able to obtain volume discounts in the future.

We may not be able to renew some leases of the facilities for the installation of our fixed and mobile telephony, cable television and broadband systems.

Our fixed and mobile telephony services, cable television services and broadband services are distributed through networks installed in facilities leased from third parties, either through the lease of space on roofs or on utility poles. We regularly renegotiate the renewal of short-term lease contracts for the use of poles in different areas of the country in the ordinary course of our business. If we are not able to renew some of those lease contracts, our operations in such areas may be suspended if alternative third-party facilities are not promptly obtained on a cost-efficient basis. Underground distribution of our wire network would require additional governmental authorizations and significant capital expenditures that it may not be able to afford or that it may be restricted from making pursuant to the terms and conditions of its indebtedness and its existing covenants. There can be no assurance that such renewals of lease contracts will be granted.

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Our revenues may be adversely affected by an increase in churn rates, with respect to mobile telephony, cable television and broadband services, or reductions in fixed telephony lines in service, with respect to fixed telephony services.

Our revenues will depend partially on our ability to retain customers by limiting churn rates, with respect to mobile telephony, cable television and broadband services, or net reductions in fixed telephony lines in service, with respect to fixed telephony services. The churn rate is determined by calculating the total number of disconnected customers of each of our mobile telephony, cable television and broadband services over a given period as a percentage of the initial number of customers for such services as of the beginning of the applicable measurement period. Reductions in fixed telephony lines in service refers to the reductions of fixed telephony lines in service that form part of the public telephone network, or are connected to such network, as of the end of two relevant measurement periods. We seek to enforce a strict disconnection policy, which provides for the disconnection of cable television services after a three-month period of non-payment and delivery of a notice of disconnection. With respect to broadband services, we disconnect services after a two-month period of non-payment and delivery of a corresponding notice of disconnection. With respect to mobile telephony services, we disconnect services after a 150-day period of non-payment and delivery of a notice of disconnection. With respect to fixed telephony services, we disconnect services after a 180-day period of non-payment and delivery of a notice of disconnection. For the year ended December 31, 2018, our mobile telephony services customer churn rate was 2.7%, our cable television services customer churn rate was 1.45% and our broadband services customer churn rate was 1.9%. With respect to our fixed telephony services, the number of fixed telephony lines in service as of December 31, 2018 totaled approximately 3.5 million. Any substantial increase in churn rates, with respect to mobile telephony, cable television and broadband services, or reductions in lines in service, with respect to fixed telephony services, may have a material adverse effect on our revenues and results of operations.

Our revenues relating to our cable television services are subject to uncertainty due to, and may be adversely affected by, the formula set forth in Resolution No. 50/10 to estimate monthly fees paid by cable television subscribers.

In 2010, the Secretariat of Domestic Trade (SCI) issued Resolution No. 50/10 (Resolution 50), setting forth certain rules for the sale of pay television service. These rules provide that cable television operators must apply a specific formula to estimate monthly fees to be paid by cable television subscribers and report these estimates to the Office of Business Loyalty (*Dirección de Lealtad Comercial*). Given the wide range of factors set forth in Resolution 50 to calculate such formula, as of the date of this Annual Report, the actual impact of these rules on the monthly fees we collect is uncertain and may have a material adverse effect on our revenues and results of operations relating to our cable television services.

Notwithstanding the foregoing, it should be noted that as of the date of this Annual Report, according to the decision issued on August 1, 2011 in re LA CAPITAL CABLE S.A. c/ Ministerio de Economía-Secretaría de Comercio Interior de la Nación , the Federal Court of Appeals of the City of Mar del Plata has ordered the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by the Argentine Cable Television Association (ATVC). Upon being notified to the SCI and the Ministry of Economy on September 12, 2011, such decision became fully effective and may not be disregarded by the SCI. The National Government filed an appeal against the decision issued by the Federal Court of Appeals of Mar del Plata to have the case brought before the Supreme Court. Such appeal was dismissed, for which the National Government filed a direct appeal to the Supreme Court, which has also been dismissed. For further information see Item 8 Financial information Regulatory Proceedings Resolution No. 50/10 and subsequent ones of the Secretariat of Domestic Trade of the Nation (SCI).

The Auction Terms and Conditions approved by Resolution SC No. 38/14 established strict coverage and network deployment commitments that will require significant capital expenditures in the near future.

The Auction Terms and Conditions approved by Resolution SC No. 38/14 established strict coverage and network deployment commitments that will require significant capital expenditures on the part of Telecom. Additionally, many municipal governments have issued regulations that exceed their authority, many of which limit, hinder or restrict the installation of the infrastructure required to comply with such commitments. Therefore, such legislation negatively impacts the obligations of our mobile telephone business and our competitors assumed pursuant to the requirements set out in Resolution SC No. 5/13, 580/18 and its amendments (Regulation for the Quality of Telecommunications Services).

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Similarly, Resolution SC No. 25/15 passed on June 11, 2015 awarded to Personal the SCMA 713-723 MHz and 768-778 MHz frequency bands that make up Lot 8 and that were previously pending assignment by the SC. These frequency bands were partially occupied by broadcasting licensees prior to the public auction. Pursuant to Decree No. 1,340/16 the term of authorizations for the use of all the frequencies that make up Lot 8 for the provision of SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No 1,461/93 and its amendments. On August 30, 2018, the Ministry of Modernization issued Resolution No. 528/2018, pursuant to which it confirmed that the effective migration of such services on February 27, 2018 had been verified.

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 wireless handsets will not be identified as a health risk in the future.

Telecom complies with the international security standards established by the World Health Organization and Argentine regulations -which are similar- and mandatory for all Argentine mobile operators. Our mobile business may be harmed as a result of any future alleged health risk. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability, all of which could have a material adverse effect on our financial condition and results of operations.

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

In Argentina, labor organizations have substantial support and 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, higher tax pressure over salaries and the consequent decline in the population's purchasing power.

Labor costs are one of our largest cost items. In addition, certain labor unions have initiated claims against the Company alleging non-compliance of certain conditions provided for in the collective bargaining agreements that could allow them to negotiate the inclusion of some suppliers' employees in their collective bargaining agreements. See Item 8 Financial Information Legal Proceedings Labor Claims. If labor organization claims continue or are sustained, this could result in increased costs, greater conflict in the negotiation process and strikes (including general strikes and strikes by the Company's employees and the contractors and subcontractors' employees) that may adversely affect our operations. See Item 6 Directors, Senior Management and Employees Employees and Labor Relations.

In addition, certain telecommunication unions have initiated claims against the Company alleging non-compliance of certain conditions provided for in the collective bargaining agreements that could allow them to negotiate the inclusion of some suppliers' employees in their collective bargaining agreements. See Item 8 Financial Information Legal Proceedings Labor Claims.

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In addition, in the absence of a union agreement concerning convergent services, in case of a lack of agreement with unions on convergent services conditions or in case of a lack of recognition among union associations, the possible consequences include: economic impacts derived from individual claims, class actions, higher union contributions, operating impacts related to work organization (lack of unification or synergy), impairment of services due to inefficient processes, union conflicts and direct action measures, social impacts that might affect the provision of services to customers, and public dissemination of the conflicts.

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We are or may be involved in legal and regulatory proceedings which could result in unfavorable decisions and financial penalties for us.

We are party to a number of legal and regulatory 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 claims and responding to, or initiating proceedings against, regulatory bodies may divert management's time attention and financial resources. As of December 31, 2018, the Company recorded provisions that it estimates are sufficient to cover those contingencies considered probable. See Notes 2 and 18 to our Consolidated Financial Statements.

For example, Argentine law incentivizes individuals to pursue employment-related litigation and certain judicial rulings have created a negative precedent in these matters and could increase our labor costs. The Company is also exposed to employment-related claims of employees of suppliers, contractors and commercial agents claiming direct or indirect responsibility of Telecom based on a broad interpretation of the rules of labor law.

Further, customers and consumers' trade unions have in the past initiated different claims against Personal regarding improperly billed charges. See Item 8 Financial Information Legal Proceedings Consumer Trade Union Proceedings. Although Personal has taken certain actions in order to reduce risks in connection with these claims, we cannot assure that new claims will not be filed in the future.

The Company has in the past been subject to technical sanctions from regulatory bodies, mainly related to the delay in repairing defective lines, installing new lines and/or service failures. Although sanctions are appealed in the administrative stage, if the appeals are not resolved in our favor in administrative or judicial stage or if they are resolved for amounts larger than those recorded, it could have an adverse effect on our financial situation, results of our operations and cash flows. See Note 18 to the Consolidated Financial Statements.

As of December 31, 2018, the Company recorded provisions that it estimates are sufficient to cover legal and regulatory contingencies, see Notes 2 and 18 to our Consolidated Financial Statements. However, Telecom Argentina may face increased risk of employment, commercial, regulatory, tax, consumer trade union and customers' proceedings, among others. If this occurs, we cannot guarantee that those proceedings will not have an adverse effect on our results of operations and financial condition, despite the provisions that the Company has recorded to cover these matters.

For more information on our ongoing legal and regulatory proceedings, see Item 8 Financial Information Legal Proceedings.

The enforcement of the Law for the Promotion of Registered Labor and Prevention of Labor Fraud may have a material adverse effect on us.

On June 2, 2014 Law No. 26,940 for the Promotion of Registered Labor and Prevention of Labor Fraud (*Ley de Promoción del Trabajo Registrado y Prevención del Fraude Laboral*) was published in the Official Gazette. This law, among other things, establishes a Public Record of Employers subject to Labor Sanctions (*Repsal*) and defines a series of labor and social security infringements as a result of which an employer shall be included in the *Repsal*.

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The employers included in the Repsal are subject to sanctions, such as: the inability to access public programs, benefits, subsidies or credit from state-owned banks, the inability to enter into contracts and licenses of property owned by the Argentine government, or the inability to participate in the awarding of concessions of public services and licenses. Employers that commit the same infringement for which they were added to the Repsal within a 3-year period after the final first decision imposing sanctions, shall not be able to deduct from the Income Tax the expenses related to their employees while the employers are included in the Repsal. This new regulation applies both to Telecom and its contractors and subcontractors, whose employees could initiate claims to Telecom for direct or indirect responsibility.

As of the date of this Annual Report, Telecom has no sanctions registered in the Repsal, however if sanctions are applied in the future it could have a significant impact on Telecom's financial position, result of operations and cash flows.

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A cyberattack, could adversely affect our business, balance sheet, results of operations and cash flow.

In general, information security risks have increased in recent years as a result of the proliferation of new and more sophisticated technologies and also due to cyberattack activities. As part of our development and initiatives, more equipment and systems have been connected to the Internet. We also rely on digital technology including information systems to process financial and operational information. Due to the nature of our business and the greater accessibility allowed through the Internet connection, we could face an increased risk of cyberattacks. In the event of a cyberattack, we could experience an interruption of our commercial operations, material damage and loss of customer information; a substantial loss of income, suffering response costs and other economic losses; and it could subject us to more regulation and litigation, affecting our reputation. As a result, a cyberattack could adversely affect our business, results of operations and financial condition.

Operational risks could adversely affect our reputation and our profitability.

Telecom faces operational risks inherent from its business, including those resulting from inadequate internal processes; fraud; employee errors or misconduct; failure to comply with applicable laws and regulations; failure to document transactions properly; systems failures (including cloud services); errors or failures not foreseen in the foundational projects that the Company is carrying out in order to update its core systems inadequate maintenance of posts or its electrification by proximity to the electric network; inadequate environmental management including reverse logistics of goods and materials in disuse that could become hazardous waste; failure to preserve the secrecy and content of telecommunications required by law; weaknesses in datacenters energy provision; the loss or improper use of confidential information; excessive dependence on certain providers with which a large number of operations are concentrated due to the exclusivity of the technology or service they provide, economic convenience or for strategic reasons; among others. Moreover, certain assets of the Company could be damaged by acts of vandalism, theft of components or by works of third parties on public thoroughfare that damage infrastructure that do not have redundancy to provide the service. These events could result in direct or indirect losses, inaccurate information for decision making, adverse legal and regulatory proceedings, technical failures in the Company's ability to provide its services, damages to third parties, and harm our reputation and operational effectiveness, among others.

Telecom maintains insurance policies to cover its main assets, particularly its properties. If economic and financial conditions in Argentina were to deteriorate (i.e. devaluation, inflation, etc.), the insurance coverage may not be representative of the market value of the properties which could result in losses for the Company.

Although Telecom has risk management practices at the highest levels including a Risk Management Committee designed to detect, manage and monitor the evolution of operational risks, the Company can give no assurances that these measures will be successful in effectively mitigating the operational risks that Telecom faces and such failures could have a material adverse effect on its results of operations and could harm its reputation.

Any failure by a strategic supplier to comply with its legal and contractual obligations could adversely affect our operations and any action or restriction by a foreign government against a strategic supplier could adversely affect our reputation.

We rely on strategic suppliers of equipment and materials to provide us with equipment and materials that we need in order to expand and to operate our business. As a result, we are exposed to risks associated with these suppliers, including restrictions of production capacity for equipment and materials, availability of equipment and materials, delays in delivery of equipment, materials or services, and price increases. If

these suppliers or vendors fail to provide equipment, materials or services to us on a timely basis or otherwise in compliance with the terms of our contracts with these suppliers, we could experience disruptions or declines in the quality of our services, which could have an adverse effect on our revenues and results of operations.

Telecom's suppliers of goods and services are contractually obliged to comply with applicable laws and regulations (including tax, labor, social security, anti-corruption, money laundering standards, etc.). Despite these legal safeguards, as well as monitoring efforts by Telecom, we cannot ensure that our suppliers will comply with all applicable standards. As a result, our financial condition and reputation could be adversely affected.

In addition, the U.S. Congress and certain regulatory agencies have raised concerns about American companies purchasing equipment and software from Chinese telecommunications companies such as Huawei, one of our strategic suppliers, including concerns relating to alleged violations of intellectual property rights and potential security risks. The U.S. Government is likewise urging other countries to avoid the operations of Chinese companies such as Huawei in their territory, citing concerns regarding potential use of the equipment for espionage. Our reputation could be adversely affected if such actions or restrictions were imposed on Huawei or if the equipment and materials we purchase from Huawei is thought to pose a security risk for our network.

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The Company and/or its administrators are subject to environmental and safety regulations whose non-compliance could result in increased costs and/or penalties for the Company's administrators.

Some of the goods and facilities used in our operation are subject to federal, state and municipal environmental and safety regulations. If such rules are not adequately complied they could result in fines, potential delays or inability to obtain authorization for the Company's facilities and operations which could have an adverse effect in our business, but also could result in penalties for the Company's administrators. In addition, according with global trends, new and stricter standards may be issued, or authorities may enforce or construe existing laws and regulations in a more restrictive manner, which may force us to make expenditures or to incur increased costs to comply with such new rules.

Restrictive covenants in Telecom's outstanding indebtedness may restrict its ability to pursue its business strategies.

Telecom has outstanding financial debt (including but not limited to Cablevisión's existing notes to which Telecom became a successor by virtue of the Merger) that contains a number of restrictive covenants that impose significant operating and financial restrictions on it and may limit Telecom's ability to engage in acts that may be in its long-term best interests. These agreements governing its indebtedness include covenants restricting, among other things, Telecom's ability to:

- incur or guarantee additional debt;
- create liens on its assets to secure debt; and
- merge or consolidate with another person or sell or otherwise dispose of all or substantially all of its assets.

A breach of any covenant contained in the indentures governing Telecom's notes or the agreements governing any of its other indebtedness could result in a default under those agreements. If any such default occurs, the holders the relevant debt may elect (after the expiration of any applicable notice or grace periods) to declare all outstanding amounts, together with accrued and unpaid interest and other amounts payable thereunder, to be immediately due and payable. If any of Telecom's debt, including its notes, were to be accelerated, its assets may not be sufficient to repay in full that debt or any other debt that may become due as a result of that acceleration.

We may be adversely affected by changes in LIBOR reporting practices or the method in which LIBOR is determined or fluctuations in interest rates.

As of December 31, 2018, US\$1,400 million of our outstanding debt was indexed to the London Interbank Offered Rate (LIBOR).

On July 27, 2017, the Financial Conduct Authority (the "FCA") announced its intention to phase out LIBOR rates by the end of 2021. It is not possible to predict the further effect of the rules of the FCA, any changes in the methods by which LIBOR is determined, or any other reforms to LIBOR that may be enacted in the United Kingdom, the European Union or elsewhere. Any such developments may cause LIBOR to perform differently than in the past, or cease to exist. In addition, any other legal or regulatory changes made by the FCA, ICE Benchmark Administration Limited, the European Money Markets Institute (formerly Euribor-EBF), the European Commission or any other successor governance or oversight body, or future changes adopted by such body, in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR's determination, and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. Dollar LIBOR rate is unavailable after 2021, the interest rates on our debt which is indexed to LIBOR will be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. Dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the discontinuation or unavailability of U.S. Dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs.

Additionally, we are exposed to the fluctuations of the interest rates applicable to our indebtedness indexed to variable interest rates. We may also incur additional variable-rate debt in the future. Increases in interest rates on variable-rate debt would increase the Company's interest expense, which would negatively affect our financial costs.

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Risks Relating to the Merger

The Merger is subject to Argentine antitrust laws and regulations.

As a consequence of the Merger, Telecom's radio spectrum currently exceeds the legal cap set forth by Section 5 of Resolution No. 171-E/17, issued by the Ministry of Communications. Telecom is required under current regulations to submit a proposal to conform to that legal cap by no later than June 29, 2019 (i.e. a year following approval of the Merger by the Antitrust Authority). ENACOM may accept or reject said proposal, and/or request further information, as necessary.

The approval of the Merger by the Argentine Antitrust Authority on June 29, 2018 included (i) the authorization of an assignment by Telecom of 143,464 broadband services residential clients under the Arnet brand to Universo Net S.A., (ii) acceptance of a behavioral commitment submitted by Telecom, CVH and FT, pursuant to which Telecom accepted not to sell television services through physical link and mobile communications services as a combined package until certain conditions set forth in the SC Resolution are met, and (iii) acceptance of a behavioral commitment submitted by Telecom, Cablevision, CVH and FT, pursuant to which, Telecom assumed the obligation to offer to any new provider of internet services with the capacity to take advantage of Telecom's wire ADSL network the possibility of using such network in order to provide retail internet services pursuant to the terms set forth in the approval. Failure to honor these undertakings in a timely manner may result in sanctions by the Antitrust Authority.

Cablevisión's business may fail to successfully integrate with Telecom's business and, as a result, we may not realize all of the anticipated benefits of the Merger.

Telecom and Cablevisión entered into the Merger with the expectation that the Merger will result in various benefits, including, among other things, the ability to become a successful quadruple-play services provider in Argentina. The success of the Merger will depend, in part, on the ability of Telecom as the combined company to realize such anticipated benefits from combining Telecom's business (including the business of Personal) and that of Cablevisión's business and the implementation of certain regulatory changes in the telecommunications sector that began in January 2018. The past financial performance of each of Telecom and Cablevisión may not be indicative of their future financial performance as a combined company. The anticipated benefits and cost savings of the Merger may not be realized fully, or at all, or may take longer to realize than expected. Failure to achieve anticipated benefits could result in increased costs and decreases in the amounts of expected revenues or results of the combined company.

Telecom and Cablevisión have operated independently until the completion of the Merger. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures or policies that adversely affect the combined company's ability to maintain relationship with customers and employees or to achieve the anticipated benefits of the Merger.

The future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the Merger.

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Following the Merger, the size of the business of Telecom has increased significantly beyond the previous size of either Telecom or Cablevisión's business. The combined company's future success depends, in part, upon its ability to manage this expanded business, which could pose substantial challenges for management. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings, revenue enhancements and other benefits currently anticipated from the Merger.

The Merger could generate risks not evaluated at the time of analysis of the operations.

Although both Telecom and Cablevisión made detailed assessments of the potential impacts of the Merger in order to properly manage the process, obtain all the necessary regulatory authorizations, minimize impacts on the operation and ensure continuity and quality in the provision of services to its customers, we cannot ensure that unforeseen issues may arise and generate operational, compliance, technology and / or service provision risks, which in turn could affect our operation, our profitability and / or damage our image.

Cablevisión Holding S.A. (CVH), and through CVH, GC Dominio S.A. (GC Dominio), have the ability to determine the outcome of any shareholder decision relating to significant matters affecting us.

As a result of the Merger, CVH owns Class D Shares which represent 38.81% of Telecom Argentina's total capital stock (direct and indirect). GC Dominio owns 64.25% of the voting stock of CVH, which represents 26.44% of the total capital stock of CVH and 64.25% of the total votes as of the date of this Annual Report.

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After the Merger, Fintech Telecom LLC (Fintech) owns Class A Shares which represent 31.53% of the total capital stock of Telecom Argentina and additionally owns Class B Shares in the form of ADSs which represent 8.62% of total stock of Telecom Argentina.

Through its ownership of Telecom Argentina Class D Shares and pursuant to the arrangements resulting from the Telecom Shareholders Agreement, CVH, as a general matter, has the ability to determine the outcome of any action requiring our shareholders' approval. In addition, our bylaws provide Class A and Class D Shares, and the directors appointed by Class A and D Shares, with veto powers, with respect to certain matters relating to us. See Item 7 Major Shareholders and Related Party Transactions Major Shareholders' Shareholders' Agreement.

In the past, we conducted transactions with the shareholders of Nortel and/or Sofora, including Fintech and its affiliates and with CVH and its affiliates as from January 1, 2018. Certain decisions concerning our operations or financial structure may present conflicts of interest between the shareholders owners directly or indirectly, of our capital stock and as parties with interests in these related-party contracts.

Nevertheless, all of our related-party transactions are made on an arm's-length basis. Related-party transactions involving Telecom Argentina that exceed 1% of its 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.

Risks Relating to Telecom Argentina's Shares and ADSs

The New York Stock Exchange (NYSE) and/or the Buenos Aires Stock Exchange (by delegated authority of BYMA) may suspend trading and/or delist Telecom's ADSs and Class B common shares, respectively, upon occurrence of certain events relating to Telecom's financial situation.

The NYSE and/or the BYMA may suspend and/or cancel the listing of Telecom's ADSs and Class B common shares, respectively, in certain circumstances, including upon the occurrence of certain events relating to Telecom's financial situation. For example, the NYSE may decide such suspension or cancellation if Telecom's equity becomes negative.

The NYSE may in its sole discretion determine on an individual basis the suitability for continued listing of an issue in the light of all pertinent facts. Some of the factors mentioned in the NYSE Listed Company Manual, which may subject a company to suspension and delisting procedures, include: unsatisfactory financial conditions and/or operating results, inability to meet current debt obligations or to adequately finance operations, and any other event or condition which may exist or occur that makes further dealings or listing of the securities on the NYSE inadvisable or unwarranted in the opinion of NYSE.

We cannot assure you that the NYSE and/or BYMA will not commence any suspension or delisting procedures in light of Telecom's financial situation, including if Telecom's equity becomes negative. A delisting or suspension of trading of Telecom's ADSs or Class B common shares by the NYSE and/or BYMA, respectively, could adversely affect Telecom's results of operations and financial conditions and cause the market value of Telecom's ADSs and Class B common shares to decline.

Under Argentine corporate law, shareholder rights may be fewer or less well defined than in other jurisdictions.

Our corporate affairs are governed by our bylaws and by Argentine corporate law, which differ from the corporate regulatory framework that would apply if we were incorporated in a jurisdiction in the United States (such as Delaware or New York), or in other jurisdictions outside Argentina. Thus, your rights under Argentine corporate law to protect your or their interests relative to actions by our Board of Directors may be fewer and less well defined than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets may not be as highly regulated or supervised as the U.S. securities markets or markets in some of the other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well defined and enforced in Argentina than in the United States, or other jurisdictions outside Argentina, putting holders of our Shares and ADSs at a potential disadvantage.

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Changes in Argentine tax laws may adversely affect the tax treatment of our Shares and/or the ADSs.

On September 23, 2013, the Argentine income tax law was amended by the passage of Law No. 26,893 (the Argentine Income Tax Law). The Argentine Income Tax Law establishes that the sale, exchange or other transfer of shares and other securities is subject to a capital gain tax at a rate of 15% for Argentine resident individuals and foreign beneficiaries.

Until the enactment of Law No. 27,430, in force since fiscal year 2018, there was an exemption for Argentine resident individuals if certain requirements were met. However, there was no such exemption for non-Argentine residents. For transactions made until December 31, 2017, many aspects of the Argentine Income Tax Law as they apply to the holding and sale of ADSs still remain unclear and they were subject to further regulation and interpretation which may adversely affect the tax treatment of our Shares underlying ADSs and/or ADSs. The income tax treatment of income derived from the sale of ADSs or exchanges of shares from the ADS facility may not be uniform under the revised Argentine Income Tax Law. The possibly varying treatment of the source of income could impact both Argentine resident holders as well as non-Argentine resident holders.

Law No. 27,430 requires the capital gains tax to be paid for transactions carried out between September 2013 (when taxation on the sale of shares for nonresidents was introduced) and the effective date of the tax reform, providing that no tax, however, will be due for stock exchange transactions as long as the tax has not yet been paid due to the lack of regulations for the withholding or collection by the stock exchange agents or intermediaries.

Consequently, holders of our Class B Shares, including in the form of ADSs, are encouraged to consult their tax advisors as to the particular Argentine income tax consequences of owning our Shares or the ADSs.

Our shareholders may be subject to liability under Argentine law for certain votes of their securities.

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. However, shareholders who have a conflict of interest with us and who do not abstain from voting at the respective shareholders' meeting may be liable for damages to us, but only if the transaction would not have been approved without such shareholders' votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to the law or our bylaws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.

The price of our Class B Shares and the ADSs may fluctuate substantially, and your investment may decline in value.

The trading price of our Class B Shares is likely to be highly volatile and may be subject to wide fluctuations in response to factors, many of which are beyond our control. Such other factors include:

- fluctuations in our periodic operating results;
- changes in financial estimates, recommendations or projections by securities analysts;
- changes in conditions or trends in our industry;
- events affecting equities markets in the countries in which we operate;
- legal or regulatory measures affecting our financial conditions;
- departures of management and key personnel; or
- potential litigation or the adverse resolution of pending litigation against us or our subsidiaries.

The stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies involved. We cannot assure you that trading prices and valuations will be sustained. These broad market and industry factors may materially adversely affect the market price of our Shares and the ADSs, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions in the markets in which we operate, such as recession or currency exchange rate fluctuations, may also adversely affect the market price of our Shares and the ADSs. In particular, 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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Future sales of substantial amounts of Telecom Argentina Class B Shares and ADSs, or the perception that such future sales may occur, may depress the price of Telecom Argentina Class B Shares and ADSs. Additionally, future sales of treasury shares, may also depress the price of Telecom Argentina Shares and ADSs.

Following periods of volatility in the market price of a company's securities, that company may often be subject to securities class-action litigation. This kind of litigation may result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on our business, results of operations and financial condition.

Restrictions on transfers of foreign exchange and the repatriation of capital from Argentina may impair your ability to receive dividends and distributions on, and the proceeds of any sale of, the Class B Shares underlying the ADSs.

The Argentine government may impose restrictions on the conversion of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Argentina. Beginning in December 2001, the Argentine government implemented an unexpected number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad, including dividends, without prior approval by the Central Bank. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting, future restrictions on the movement of capital to and from Argentina such as those that previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of shares, as the case may be, from Argentine Pesos into U.S. Dollars and the remittance of such U.S. Dollars abroad. We cannot assure you that the Argentine government will not take similar measures in the future. In such a case, the Depositary for the ADSs may hold the Argentine Pesos it cannot convert for the account of the ADS holders. In addition, any future adoption by the Argentine government of restrictions to the movement of capital out of Argentina may affect the ability of our foreign shareholders and holders of ADSs to obtain the full value of their Class B Shares and ADSs, and may adversely affect the market value of the ADSs.

Trading of Telecom Argentina's Class B Shares in the Argentine securities markets is limited and could experience further illiquidity and price volatility.

Argentine securities markets are substantially smaller, less liquid and more volatile than major securities markets in the U.S. In addition, Argentine securities markets may be materially affected by developments in other emerging markets, particularly other countries in Latin America. Our Class B Shares underlying ADSs are less actively traded than securities in more developed countries and, consequently, an ADS holder may have a limited ability to sell the Class B Shares underlying ADSs upon withdrawal from the ADSs facility in the amount and at the price and time that it may desire. This limited trading market may also increase the price volatility of the Class B Shares underlying the ADSs.

Holders of ADSs may be adversely affected by currency devaluations and foreign exchange fluctuations.

If the peso exchange rate falls relative to the U.S. dollar, the value of the ADSs and any distributions made thereon from the depositary could be adversely affected. Cash distributions made in respect of the ADSs may be received by the depositary (represented by the custodian bank in Argentina) in pesos, which will be converted into U.S. dollars and distributed by the depositary to the holders of the American Depositary Receipts (ADRs) evidencing those ADSs if in the judgment of the depositary such amounts may be converted on a reasonable basis into U.S. dollars and transferred to the United States on a reasonable basis, subject to such distribution being impermissible or impracticable with respect to certain ADR holders. In addition, the depositary will incur foreign currency conversion costs (to be borne by the holders of the ADRs) in

connection with the foreign currency conversion and subsequent distribution of dividends or other payments with respect to the ADSs.

The relative volatility and illiquidity of the Argentine securities markets may substantially limit your ability to sell the Class B Shares underlying the ADSs on the BYMA at the price and time desired by the shareholder.

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Argentine securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States, and is not as highly regulated or supervised as some of these other markets. There is also significantly greater concentration in the Argentine securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented approximately 91% of the aggregate market capitalization of the BYMA as of December 31, 2018. Accordingly, although shareholders are entitled to withdraw the Class B Shares underlying the ADSs from the depository at any time, the ability to sell such shares on the BYMA at a price and time shareholders might want may be substantially limited.

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We are traded on more than one market and this may result in price variations; in addition, investors may not be able to easily move shares for trading between such markets.

Trading in the Class B Shares underlying ADSs or ADSs in the United States and Argentina, respectively, will use different currencies (U.S. dollars on the NYSE and pesos on the BYMA), and take place at different times (resulting from different trading platforms, different time zones, different trading days and different public holidays in the United States and Argentina). The trading prices of the Class B Shares underlying ADSs on these two markets may differ due to these and other factors. Any decrease in the price of the Class B Shares underlying ADSs on the BYMA could cause a decrease in the trading price of the ADSs on the NYSE. Investors could seek to sell or buy the Class B Shares underlying ADSs to take advantage of any price differences between the markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the ADSs available for trading on the other exchange. In addition, holders of ADSs will not be immediately able to surrender their ADSs and withdraw the underlying Class B Shares for trading on the other market without effecting necessary procedures with the depository. This could result in time delays and additional cost for holders of ADSs.

As a foreign private issuer, we will not be subject to U.S. proxy rules and will be exempt from filing certain reports under the Securities Exchange Act of 1934.

As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act of 1934 (the Exchange Act) related to the furnishing and content of proxy statements, and our officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not be required under the Exchange Act to file annual and current reports and financial statements with the SEC as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act, and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act.

In addition, if a majority of our directors or executive officers are U.S. citizens or residents, we will lose our foreign private issuer status and we will fail to meet additional requirements necessary to avoid such loss. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory for us. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher for us. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We will have to present our financial statements under US GAAP and may also be required to modify certain of our policies to comply with corporate governance practices applicable to U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

If we do not file or maintain a registration statement and no exemption from the Securities Act of 1933 (Securities Act) registration is available, U.S. holders of ADSs may be unable to exercise preemptive rights granted to our holders of Class B Shares underlying ADSs.

Under the GCL, if we issue new shares as part of a capital increase, our shareholders may have the right to maintain their existing ownership percentage in the Company through the subscription of a proportional number of shares of the same class in case the capital increase is made in shares of all four of our classes of shares in their respective proportions, or through the subscription of a proportional number of the shares of the class being issued if the relative proportion among the four classes is not respected. Rights to subscribe for shares in these circumstances are

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known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed shares remaining at the end of a preemptive rights offering on a *pro rata* basis, known as accretion rights.

According to our Bylaws, in the case of a capital increase through the issuance of all four of our classes of common stock (Class A ordinary shares, Class B Shares, Class C ordinary shares and Class D ordinary shares), accretion rights of the holders of each class shall be limited to the shares of the same class for which there has been no subscription. Also if, after accretion rights have been exercised within the Class B and Class C shares, there are any unsubscribed shares, such unsubscribed Class B or Class C shares, shares may be subscribed by the shareholders of the rest of our classes of common stock, with no distinction, in proportion to the shares of common stock for which such shareholder has subscribed on such occasion.

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Upon the occurrence of any future increase in our Class B Shares, U.S. persons (as defined in Regulation S under the Securities Act) holding our Class B Shares underlying ADSs or ADSs may be unable to exercise preemptive and accretion rights granted to our holders of Class B Shares underlying ADSs in connection with any future issuance of our Class B Shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to both the preemptive rights and the new Class B Shares underlying ADSs, or an exemption from the registration requirements of the Securities Act is available.

We are not obligated to file or maintain a registration statement relating to any preemptive rights offerings with respect to Telecom Argentina's Class B Shares underlying ADSs, and we cannot assure that we will file or maintain any such registration statement or that an exemption from registration will be available. Unless those Class B Shares underlying ADSs or ADSs are registered or an exemption from registration applies, a U.S. holder of Telecom Argentina's Class B Shares underlying ADSs or ADSs may receive only the net proceeds from those preemptive rights and accretion rights if those rights can be assigned by the ADS depository. If the rights cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of shares or ADSs located in the U.S. may be diluted proportionately upon future capital increases.

Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.

We are a foreign private issuer within the meaning of the NYSE corporate governance standards. Under NYSE rules, a foreign private issuer may elect to comply with the practices of its home country and not comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the exchange. We currently follow certain Argentine practices concerning corporate governance and intend to continue to do so. For example, according to Argentine securities law, our audit committee, unlike the audit committee of a U.S. issuer, will only have an advisory and/or supervisory role, such as assisting our board of directors with the evaluation of the performance and independence of the external auditors and exercising the function of our internal control. Accordingly, holders of our ADSs will not have the same protections afforded to shareholders of U.S. companies that are subject to all of the NYSE corporate governance requirements.

Changes in Argentine tax laws may adversely affect the tax treatment of our Class B Shares underlying ADSs or ADSs for transactions made until December 31, 2018.

On September 23, 2013, the Argentine income tax law was amended by the passage of Law No. 26,893 (the Argentine Income Tax Law). The Argentine Income Tax Law establishes that the sale, exchange or other transfer of shares and other securities is subject to a capital gain tax at a rate of 15% for Argentine resident individuals and foreign beneficiaries. Until the enactment of Law No. 27,430, in force since fiscal year 2018, there was an exemption for Argentine resident individuals if certain requirements were met. However, there was no such exemption for non-Argentine residents. For transactions made until December 31, 2017, many aspects of the Argentine Income Tax Law still remain unclear and they are subject to further regulation and interpretation which may adversely affect the tax treatment of our Class B Shares underlying ADSs and/or ADSs. The income tax treatment of income derived from the sale of ADSs or exchanges of shares from the ADS facility may not be uniform under the revised Argentine Income Tax Law. The possibly varying treatment of the source of income could impact both Argentine resident holders as well as non-Argentine resident holders.

Law No. 27,430 requires the capital gains tax to be paid for transactions carried out between September 2013 (when taxation on the sale of shares for nonresidents was introduced) and the effective date of the tax reform, providing that no tax, however, will be due for stock exchange transactions as long as the tax has not yet been paid due to the lack of regulations for the withholding or collection by the stock exchange agents or intermediaries. Further regulations are expected to be published. See Item 10 Additional Information Taxation Argentine taxes.

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Consequently, holders of our Class B Shares, including in the form of ADSs, are encouraged to consult their tax advisors as to the particular Argentine income tax consequences under their specific facts.

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We are organized under the laws of Argentina and holders of the ADSs may find it difficult to enforce civil liabilities against us, our directors, officers and certain experts.

We are organized under the laws of Argentina. A significant portion of our and our subsidiaries' assets are located outside the U.S. Furthermore, almost all of our directors and officers and some advisors named in this Annual Report reside in Argentina. Investors may not be able to effect service of process within the U.S. upon such persons or to enforce against them or us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the U.S. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the U.S., including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an original action in an Argentine court predicated upon the civil liability provisions of the U.S. federal securities laws against us or these persons.

In addition, a portion of our assets is not subject to attachment or foreclosure, as they are used for the performance of the public service we provide. In accordance with Argentine law, as interpreted by the Argentine courts, assets which are necessary for the provision for an essential public service may not be attached, whether preliminarily or in aid of execution.

Prior to any enforcement in Argentina, a judgment issued by a U.S. court will be subject to the requirements of 517 through 519 of the Argentine Federal Civil and Commercial Procedure Code if enforcement is sought before federal courts or courts with jurisdiction in commercial matters of the Autonomous City of Buenos Aires. Those requirements are: (1) the judgment, which must be valid and final in the jurisdiction where rendered, was issued by a competent court in accordance with the Argentine principles regarding international jurisdiction and resulted from a personal action, or an in rem action with respect to personal property which was transferred to Argentine territory during or after the prosecution of the foreign action; (2) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against foreign action; (3) the judgment must be valid in the jurisdiction where rendered, and its authenticity must be established in accordance with the requirements of Argentine law; (4) the judgment does not violate the principles of public policy of Argentine law; and (5) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court. Any document in a language other than Spanish, including, without limitation, the foreign judgment and other documents related thereto, requires filing with the relevant court of a duly legalized translation by a sworn public translator into the Spanish language.

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ITEM 4. INFORMATION ON THE COMPANY

INTRODUCTION

The Company

We are one of the largest private-sector companies in Argentina in terms of revenues, net income, capital expenditures and number of employees. We have a non-expiring license (the License) to provide fixed-line telecommunications services in Argentina, mobile telecommunications services, other telephone-related services such as international long-distance and wholesale services, data transmission, IT solutions outsourcing and Internet services. We are also the largest operator of cable television services and data transmission systems in Argentina and one of the largest providers of cable services in Latin America in terms of subscribers. We install, operate and develop cable television and data transmission services in Argentina and Uruguay. We are the largest MSO in Argentina and Latin America in terms of subscribers. An MSO is a company that owns multiple cable systems in different locations under the control and management of a single, common organization.

As from January 1, 2018, after giving effect to the Merger, Telecom Argentina and Cablevisión have started to operate as a telecommunications convergent provider. The Merger is part of a global process of convergence in the provision of fixed and mobile telecommunications services, video and internet distribution known as quadruple play .

The Merger should allow the combined company to achieve synergies in the development of convergence products that will bring significant benefits for consumers, the sector and the economy in general. In addition, the combination of both companies should boost investment (we have a strategic investment plan, which started in 2018, that estimates capital expenditures of approximately US\$ 5,000 million) in the most modern infrastructure of mobile technologies as well as the deployment of a high-speed fiber optic network.

In addition, we have amended our bylaws (*Estatutos Sociales*) to permit us to provide audiovisual communications services, and have obtained all required regulatory authorizations and approvals with respect to such amendment.

As of December 31, 2018, (i) Telecom's mobile telephony business had approximately 18.3 million subscribers in Argentina (excluding our IDEN telephony subscribers) and approximately 2.4 million subscribers in Paraguay, (ii) Telecom's broadband business reached approximately 4.1 million accesses, (iii) Telecom's cable business had approximately 3.5 million subscribers and (iv) Telecom had approximately 3.5 million fixed telephony lines in service, which are equivalent to 140 lines in service per employee.

In 2018, our revenues totaled P\$168,046 million, our net income totaled P\$5,536 million, our Adjusted EBITDA (see the purpose of use of adjusted EBITDA and reconciliation of net income to Adjusted EBITDA in Item 5 Operating and Financial Review and Prospects (A) Consolidated Results of Operations Adjusted EBITDA) amounted to P\$56,368 million and our total assets were P\$371,738 million.

The Merger

Overview

On June 30, 2017, Telecom Argentina and Cablevisión executed a preliminary merger agreement (the *Preliminary Merger Agreement*) and on October 31, 2017, Telecom Argentina and Cablevisión executed the definitive merger agreement (the *Final Merger Agreement*), by which they agreed on the terms on which Telecom Argentina would absorb Cablevisión by merger, which was to be dissolved without liquidation as of the Merger Effective Date, in accordance with the provisions of Sections 82 and 83 of the GCL, and subject to the satisfaction of certain conditions, including regulatory approvals from the ENACOM.

The conditions precedent to the consummation of the Merger were satisfied as of the Merger Effective Date (i.e., January 1, 2018), and, consequently, the Merger and the Telecom Shareholders Agreement became effective on that date. For more information, see **Item 7 Major Shareholders and Related Party Transactions**.

Pursuant to the Final Merger Agreement, as of January 1, 2018, Cablevisión merged into Telecom Argentina, with Telecom Argentina as the surviving entity. As a result of the Merger, all of Cablevisión's assets and liabilities were transferred to Telecom Argentina as of January 1, 2018, in accordance with the terms of the Final Merger Agreement. The Merger was registered with the IGJ on August 30, 2018.

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The Merger allows us to provide quadruple play services, combining the provision of fixed and mobile telecommunications services as well as pay television and Internet services, pursuant to the new regulatory framework in effect since January 2018 (for more information about the Merger see Recent Developments).

Merger Integration

One of the main focus of our Management during this year was to consolidate the integration of the financial and operational structures of the merged companies in order to strengthen the position of the combined company in a highly competitive market.

We believe that the combination of the two companies enhance our ability to better serve our customers as a result of gaining scale and access to innovations that are driving the telecommunication sector, through offering our customers a broader range of products. We expect that combining Cablevisión and Telecom will strengthen our financial position, which should help us to perform the needed investments to continue developing our infrastructure and therefore strengthen our position in the market.

Joining Telecom s and Cablevisión s operations converted us in one of the largest companies in Argentina and we expect to continue to deploy state-of-the-art wireless and high speed fixed internet networks throughout our service areas.

The combination of the businesses allow us to reduce costs as we realize synergies. We expect savings in network rentals and connectivity as we can combine the two existing backbone networks, which have a low level of overlap and are highly complementary.

In addition, we expect to continue achieving savings in back office services such as billing, collection, and advertising through the implementation of convergent solutions. We will strive to achieve SG&A (Selling, General and Administrative) optimization and reduction in network maintenance costs by combination of field services and network operations capabilities.

On the capital expenditures side, adding the Nextel mobile phone network to Telecom s existing network represented an immediate increase % in the number of available cell sites, which will result in savings in our previously planned investments in infrastructure and equipment installation costs. In addition, due to the overlap of fixed networks in the Northern Area, an optimization is expected in the investments and costs for the planned upgrade of access networks and fiber deployment and we expect to continue to deploy state-of-the-art wireless and high speed fixed internet networks throughout our services area.

We expect that the combination of product portfolio and commercial capabilities will drive cross selling to the combined customer base and growth in the unserved portion of the eventual quadruple play or fully convergent solution.

Moreover, Cablevisión s fixed coverage in the southern region allows Telecom to increase its retail and corporate sales while it reduces network rental expenses paid to other operators. Finally, incremental revenues are expected by the extension of the duration of the customer or churn reduction, which we believe will occur as a result of a convergent solution.

We believe these factors will help create a leading fully convergent South American independent telecommunications company that will be able to compete with the world-class operators present in the market, in line with global trends in the telecommunications market.

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Organizational Structure

The chart set forth below shows our general consolidated corporate structure as of December 31, 2018, after giving effect to the Merger, showing the most significant companies and the companies controlled in countries other than Argentina:

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 19711.

Recent Developments

Indebtedness

On March 4, 2019, we entered into a loan agreement with the IFC for a total amount of up to US\$450,000,000 as requested by the Company in one or more disbursements. The proceeds from the loan will be used to finance our capital investments for 2019. Additionally, in February 2019 we repaid in full the Term Loan (as defined below). See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Bank and other financial entity loans.

Controlling Shareholder

Fintech Telecom LLC, was the controlling company of Telecom Argentina until December 31, 2017. As from January 1, 2018 CVH is the controlling company of Telecom Argentina following effectiveness of the Merger and of the Telecom Shareholders Agreement (See The Merger).

Conversion of Class C Shares

On December 28, 2018, 23,882 Class C shares were converted into Class B shares.

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The Merger

On June 30, 2017, Telecom Argentina and Cablevisión executed the Preliminary Merger Agreement providing that Telecom Argentina would absorb Cablevisión, which was to be dissolved without liquidation on the Merger Effective Date, in accordance with the provisions of Sections 82 and 83 of the GCL, subject to prior satisfaction or waiver of certain conditions stated in the Preliminary Merger Agreement, including certain regulatory approvals.

All the conditions to which the Merger was subject were satisfied and the Merger was consummated on January 1, 2018 (the Merger Effective Date). The Merger and Cablevisión's dissolution were registered with the IGJ on August 30th, 2018. For more information see Item 7 Major Shareholders and Related Party Transactions.

In addition, pursuant to the Preliminary Merger Agreement, Telecom Argentina assumed all of Cablevisión's obligations under its US\$500,000,000 6.500% Senior Notes due 2021, issued under its Global Notes Program (Cablevisión Global Notes Program).

In connection with the Preliminary Merger Agreement and the Final Merger Agreement and the notification received from Fintech Telecom and Fintech Media LLC (Fintech Media) on December 29, 2017 informing of a corporate reorganization process by which Fintech Media and VLG Argentina Escindida LLC (a spin-off of VLG Argentina) merged into Fintech Telecom with effect on the Merger Effectiveness Date, the new Class A and Class D shares to be issued by Telecom Argentina pursuant to the terms of the Merger were delivered as follows: (i) to Fintech Telecom LLC: 342,861,748 Class A shares; (ii) to CVH: 406,757,183 Class D shares; and (iii) to VLG Argentina: 434,909,475 Class D shares.

Telecom Argentina's capital stock as of the Merger Effective Date (i.e., January 1, 2018) was comprised of the following:

Shares	Outstanding shares	Treasury shares	Total capital stock
Class A	683,856,600		683,856,600
Class B	627,930,005	15,221,373	643,151,378
Class C	234,748		234,748
Class D	841,666,658		841,666,658
Total	2,153,688,011	15,221,373	2,168,909,384

For more information see Item 7 Major Shareholders and Related Party Transactions.

Withdrawal of the Voluntary reserve for future dividends payments

On January 31, 2018, the Board of Directors of Telecom Argentina approved:

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1. the reversal of \$9,729,418,019 of the Reserve for future cash dividends of Telecom Argentina as of December 31, 2017, and its distribution as cash dividends in two installments: i) \$2,863,000,000 on February 15, 2018 and ii) \$6,866,418,019 on April 30, 2018, being the Board empowered to make such payment on an earlier date if it deemed it convenient;

2. the distribution of \$5,640,728,444 as advance cash dividends under the provisions of Section 224, 2nd paragraph of the General Corporations Law, corresponding to the net profit (liquid and realized) of the period ranging from January 1, 2017 to September 30, 2017 as it arises from the special-purpose unconsolidated financial statements of Telecom Argentina as of September 30, 2017, which were settled on February 15, 2018; and

3. the distribution of \$4,502,777,155 as distribution of interim cash dividends under the provisions of Section 224, 2nd paragraph of the General Corporations Law, corresponding to the net profit (liquid and realized) of the period ranging from January 1, 2017 to September 30, 2017 as it arises from the special-purpose unconsolidated financial statements of Cablevisión S.A.-absorbed by Telecom Argentina- as of September 30, 2017, which were settled on February 15, 2018.

Dividends mentioned in items 2 and 3 above, were subsequently ratified by the Ordinary General Shareholders Meeting of April 25, 2018.

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In conclusion, the dividends distribution aforementioned for a total of \$19,872,923,618 (approximately \$28,820,650,926 in current currency of December 31, 2018) was paid on February 15, 2018 for \$13,006,505,599 and on March 21, 2018 \$6,866,418,019 (approximately \$27,926,529,493 in current currency of December 31, 2018).

Payment by Telecom Argentina of dividends declared by Cablevisión

On January 8, 2018, Telecom Argentina, as successor to Cablevisión prior to the Merger effective date, paid dividends declared by Cablevisión on December 18, 2017, in an amount of P\$4,077,790,056 (approximately P\$6,020,251,886 in current currency of December 31, 2018).

History

Telecom Argentina was created by Decree No. 60/90 of the PEN 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 IGJ (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.

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 Compañía Argentina de Teléfonos S.A. 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.

Until November 30, 2017, Nortel was our direct controlling shareholder with 54.74% of Telecom Argentina's total capital. 100% of Nortel's ordinary capital belonged to Sofora. Sofora's shares belonged to Fintech, our indirect controlling shareholder (68%) and to W de Argentina Inversiones (32%).

Until December 31, 2017, Fintech was Telecom Argentina's direct controlling shareholder.

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As from January 1, 2018, as a result of the Merger and the Shareholders' Agreement becoming effective, CVH became Telecom Argentina's controlling shareholder.

As of January 1, 2018, Cablevisión merged into Telecom, with Telecom as the surviving entity. Argentine regulators have taken the view that effective January 1, 2018, Cablevisión Holding S.A. acquired control of Telecom. Cablevisión Holding S.A. is an Argentine corporation and its primary purpose is to hold capital stock in corporations whose object and purpose is to provide Information and Communication Technology Services (ICT Services) and to provide Audiovisual Communication Services (ICT Services). Its controlling shareholder, in turn, is GC Dominio S.A, another Argentine corporation.

THE BUSINESS

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. 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.

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

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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 Telmex, Level 3 Communications (formerly Impsat), IPlan, Telecentro, CPS Comunicaciones (Metrotel), Telefónica, Telecom Argentina and many other small independent operators.

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.

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As of December 31, 2018, the following are the most significant subsidiaries included in the consolidation process and the respective equity interest owned by Telecom Argentina:

Company	Main Activity	Country	Telecom Argentina's direct/indirect interest in capital stock and votes
Núcleo	Mobile telecommunications Services	Paraguay	67.50%
Pem	Investment	Argentina	100.00%
CV Berazategui	Closed-circuit television	Argentina	100.00%
Cable Imagen	Closed-circuit television	Argentina	100.00%
Televisión Dirigida	Cable television services	Paraguay	100.00%
Adesol	Holding	Uruguay	100.00%
Última Milla	Services for telecommunication	Argentina	100.00%
AVC Continente Audiovisual	Broadcasting services	Argentina	60.00%
Inter Radios	Broadcasting services	Argentina	100.00%
Telecom USA	Telecommunication services	USA	100.00%

Telecom carries out its activities in Argentina and abroad (Paraguay, the United States and Uruguay). These operations are not analyzed as separate segments by the Executive Committee and the CEO, who analyze the consolidated information of companies in Argentina and abroad, taking into account that the activities of foreign companies are not significant for Telecom. The operations that Telecom carries out abroad do not meet the aggregation criteria established by the standard to be grouped within the Services rendered in Argentina segment, and considering that they do not exceed any of the quantitative thresholds identified in the standard to qualify as reportable segments, they are grouped within the category Other abroad segments according to the requirements of IFRS 8.

Main Products

As of December 31, 2018 we offered our cable and broadband customers a diverse range of products, including:

- *Fixed Telephony*: 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 transportation), Internet services, IT solution Outsourcing and sales of equipment.
- *Cablevisión Clásico*: our basic, analog cable television product under the Cablevisión brand;

- *Cablevisión Digital*: In addition to the basic grid included in *Cablevisión Clásico*, this option, which we provide through a digital decoder, gives cable subscribers access to radio and music channels, among others, and certain premium channels;
- *Cablevisión HD*: In addition to the options offered through *Cablevisión Digital*, subscribers to this product are provided a high definition decoder that grants them access to over 50 high definition channels;
- *Cablevisión On Demand*: Where available, this product allows subscribers to access On Demand service (under our brand *Cablevisión*) that includes a variety of content including: (i) SVOD (where the subscriber is charged a monthly fee in order to access unlimited programs), (ii) TVOD (where the subscriber is charged a fee based on the content it watches) and (iii) FVOD (free on demand services to the subscriber which generally include basic cable signals);
- *Broadband Products*: Subscribers gain access to Telecom's high-speed broadband services;
- *Fibertel Zone*: Users gain to access a Wi-Fi network free of cost outside their homes;
- *Cablevisión Flow*: Cablevisión launched *Cablevisión Flow* (Over-The-Top services) on November 8, 2016. This product will enable our subscribers to view TV content on multiple types of devices such as smartphones, tablets and smart-TVs; and

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- *Fibercorp Products:* Fibercorp is Fibertel's corporate business unit. FiberCorp provides telecommunication services to large, medium and small size companies through a wide communications network for the transfer of data, video and oral information that enables it to provide internet access, infrastructure with dynamic connections, symmetric access and IP video security, among other products.
- *Personal Mobile Services:* Service offerings include voice communications, high-speed mobile Internet content and applications download, MMS, SMS, among others; and sale of mobile communication devices (handsets, modems MiFi and wingles). The services are supported in the different technologies of the mobile network (2G/3G/4G).

Fixed Telephony Services

Overview

We own and operate fixed local line telephone network, public long-distance telephone transmission facilities and a data transmission network in the Northern Region. Since the market was opened to competition, we expanded our network in the Southern Region of Argentina, therefore providing nationwide services. Fixed services are comprised of the following:

- *Basic Telephone Services.* We provide Basic Telephone Services, including local, domestic and international long-distance telephone services and public telephone services. As of December 31, 2018, we had approximately 3.5 million of lines in service;
- *Interconnection services.* We provide interconnection services, which primarily include Access, termination and long-distance transport of calls;
- *Information and Communication Technology Services.* We provide ICT services, datacenter services, telecommunications consulting and value-added solutions;
- *Other telephone services.* Other services provided by us include supplementary services such as call waiting, call forwarding, conference calls, caller ID, voice mail, itemized billing and maintenance services; and
- Sale of equipment.

Our Fixed Telephone Network

We are the principal provider of Basic Telephone Services in the Northern Region, and since late 1999 have also provided Basic Telephone Services in the Southern Region.

Our fixed-line telephone network include 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 our telephone network:

	December 31, 2018	December 31, 2017	December 31, 2016
Number of lines in service(1)	3,544	12.7	7.7

(1) Includes lines customers, own usage, public telephony and ISDN channels. The figures prior to the Merger (i.e., as of December 31, 2017 and 2016) correspond to Cablevisión.

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Revenues

Fixed telephony services include, among other charges, monthly charges, measured service charges, installation charges, public telephone services and interconnection services related to essential facilities. The prices for these services were regulated by rules governing our license, which established maximum prices that could be charged to clients. We were able to charge prices below the maximum regulated prices as long as the discount was applied equally to clients who share the same characteristics (under the so-called principle of non-discrimination). In accordance with this ability, we charged lower prices than the maximum regulated prices for certain of the services offered. Since the enactment of the LAD it was established that licensees of ICT services may freely set their prices. See The Argentine Telecommunications, Broadband and Cable Industries Regulatory Overview Law No. 27,078 Argentine Digital Law.

The remaining services, such as data transmission services and Internet services, were not subject to regulation and, as a result, Telecom was able to freely set the corresponding prices. Market conditions could limit price increases.

Retail Residential and SME (Small and Medium Enterprises)

Monthly Charges. We bill a monthly charge to our customers. Additionally, due to the regulatory regime, we are obligated to offer discounts to certain retired individuals and low-consumption residential customers.

Measured Service Charges. In addition to a monthly charge, we bill to a portion of our customers for a monthly measured service charge, 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 and the duration of calls. Additionally, due to competition, we offer 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.

International Long-Distance Service. Since 1992, international rates have been reduced annually as a consequence of the application of the Price Cap. We also have reduced international long-distance prices 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. We offer discounts in multiple localities to reduce the rates, 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.

Other Domestic Telephone Services. We provide other domestic telephone services including charges for supplementary services such as call waiting, call forwarding, conference calls, caller ID, voicemail and itemized billing.

Wholesale

Interconnection Revenues: We collect 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.

During 2018, we 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 us include, among others, traffic and interconnection resources, third-party billing, dedicated Internet access services, transport of video signals in standard definition and high definition (which allows our clients to play multimedia content over the Internet without needing to download such content), streaming audio and video, dedicated links, backhaul links for mobile operators, Internet Protocol Virtual Private Network and data center hosting/housing services.

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With respect to data and Internet services, Telecom Argentina S.A focused its business development during 2018 on the IP transit service, which is demanded by the different operators and ISP providers to sell Internet connectivity to its customers across different segments of the market, generating a significant increase in the consumption of bandwidth, both local and international. This management decision allowed us to strengthen our 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 provide solutions to cable operators and TV channels for the distribution of video signals.

International Long-Distance Service: We hold 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 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
- data and IP transit services in regional market. During 2018, Telecom Argentina S.A increased sales of IP and data center hosting/ housing services to Uruguayan clients.

Operating revenues from international long-distance service depend on the volume of traffic and the prices charged by each party under agreements between the Argentine provider and foreign telecommunications carriers. Settlements among carriers are usually made on a net basis.

We are connected to international telecommunications networks, mainly through the following submarine Fiber Optic cables: Columbus 3 (Europe), Atlantis 2 (Argentina - Brazil Europe), Sea-Me-We 3 (Europe Asia), Bicentenario (Argentina - Uruguay), Latin American Nautilus (LAN), PanAm (Argentina - Caribe) and other minor cables.

Telecom Argentina USA, Inc. (Telecom USA)

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During 2018, we continued our business efforts aimed at wholesaler's products of greater profitability, which include services for OTTs and for temporary events. Our presence in the United States through our subsidiary Telecom USA, enabled us to revitalize trading links with leading providers of content and services in the cloud of the United States. These business relationships result in important projects of co-location and data transport. It also allows our company to pursue the development of commercial relations with new smaller customers with varied requirements in Argentina. We expect these applications to become grower.

Network and equipment

Our network strategy, for the medium- and long-range terms, focuses fulfilling services demands, improving our customers' experience and promoting technology evolution.

With respect to the core network, we seek for continuously increment capacities and availability of the services offered to our customers. In addition, we continued implementing protocols and network architectures standardization, which allow us a more efficient operation and maintenance, with costs reduction on those activities.

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Competition

Before November 1999, Telecom 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 Telmex, AMX Argentina (commercially known as Claro), Level 3 Argentina (commercially known as Level 3 Communication formerly Global Crossing), IPlan, Telecentro, Telefónica (principally in the Southern Region) and Telecom (principally in the Northern Region). Telefónica has the dominant market share for provision of telecommunications service in the Southern Region. Accordingly, if economic conditions in Argentina improve and competitors increase their presence in the Northern Region, we expect that we will face additional pressure on the prices we charge for our services and experience limited loss in market share in the Northern Region.

Mobile Telecommunications Services

Overview

We provide mobile services in Argentina and through our subsidiary in Paraguay.

Our service offerings in Argentina under the brand Personal include voice communications, high-speed mobile Internet content and applications download, MMS, SMS, online streaming, corporate e-mail and social network access, among others; and sale of mobile communication devices (handsets, Modems mifi and wingles, smart watches). The services are supported in the different technologies of the mobile network (2G/3G/4G).

We also offer mobile services in Argentina through our subsidiary Nextel to existing customers by means of our Integrated Digital Enhanced Network which enables us to offer push to talk technology to such mobile services customers.

In Paraguay, we provide mobile services through our subsidiary Núcleo.

As of December 31, 2018, we had approximately 18.3 million mobile subscribers in Argentina and Núcleo had approximately 2.4 million subscribers in Paraguay.

Mobile Telecommunications Services in Argentina

Our mobile telecommunications services in Argentina are provided under the brands Personal and Nextel.

The mobile telecommunications market in Argentina has been open to competition since 1993 and was expanded to include Personal Communications Service (PCS) services in 1999. In addition, 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 and of 4G technology since 2014 has allowed operators to focus competition on Value Added Services.

During 2018, service providers in Argentina continued to make significant capital expenditures in new network infrastructure for the enhancement and deployment of 3G and 4G technology, which allows for the higher transmission speeds required for Value Added Services such as data transfer, video calling and Internet browsing.

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Personal

Through Personal, we provide mobile services on the 850 MHz and 1,900 MHz, through GSM and 3G technology by *Servicios de Telefonía Móvil* (*STM*), *Servicios de Radiocomunicaciones Móviles Celular* (*SRMC*) and PCS networks. In addition, since December 2014, Personal has offered LTE technology service (by SCMA network) through the frequency bands awarded to Personal in 2014 and 2015 (1730-1745 MHz; 2130-2145; 713-723 MHz and 768-778 MHz). See The Argentine Telecommunications, Broadband and Cable Industries Regulatory Overview Spectrum.

Residential and Business Customers. We offer to Personal subscribers a variety of flexible pricing options for mobile services. These options include prepaid, post-paid and mixed (*Abono Fijo*) plans.

Prepaid Plans. Under prepaid plans, subscribers pay in advance for their services, using prepaid credit. Since there are no monthly bills, prepaid plans allow subscribers to communicate with maximum flexibility while maintaining control over their consumption. Prepaid credit can be purchased through prepaid cards or virtual credit on our website, by phone, at ATMs and drugstores, or through authorized agents. This credit allows subscribers to use data to browse on the Internet, make and receive local, national and international calls and buy multimedia content.

We offer a variety of packs which enable customers to use the abovementioned services at a lower price. These packs may include a fixed amount of minutes to make national or international calls, SMS, a daily quota of megabytes to access the Internet during 1, 7 or 30 days or different combinations of these services.

In addition, customers can buy multimedia contents, or subscriptions to these contents, in order to receive them periodically.

Prepaid customers can access different benefits according to their monthly credit charges, such as days of free WhatsApp access, unlimited WhatsApp access for 30 days (even without credit), credit gifts, and two telephone numbers to communicate for free, one for calls and the other for SMS.

Post-Paid Plans. Under post-paid plans, a subscriber pays a monthly fee, plus charges for additional services not included in its plan. According to our current offer, most of the plans include a quota of megabytes for browsing Internet, unbounded airtime for on-net calls and SMS. Depending on the price, some plans include an amount of free seconds or unbounded airtime for off net calls. Once the free seconds have been used, they can continue using the mobile service at a set price per second. They can also buy packs of additional megabytes to continue browsing Internet after they have consumed the megabytes included in the monthly fee. The charges for additional airtime, megabytes or multimedia contents, will be added to the next month's bill. The plans offer Personal digital invoicing, enabling subscribers to view, download and print their invoices from the web.

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Under post-paid plans, we also offer M2M plans, based on the *Internet of Things* (IoT) concept, which refers to the digital interconnection of everyday objects with the Internet, and are specially focused on customers of the business segment. These plans include solutions such as geolocation and fleet monitoring, refrigeration control, information security solutions, sales management solutions, and cloud solutions for information storage and protection, among others.

Abono Fijo. Under the *Abono Fijo* plans, a subscriber pays a set monthly bill. Like in post-paid plans, most of these plans include a quota of megabytes for browsing in the Internet, unbounded airtime for on-net and off-net calls, SMS and a fixed amount of credit that can be used to buy packs or multimedia contents. Once the free seconds have been used or Internet quota has been met, the subscriber can obtain additional credit by recharging its line through the prepaid system. With this new credit, customers can buy packs of 100 MB, 500 MB or 1 GB to continue browsing Internet or packs of seconds for off net calls. The plans offer Personal digital invoicing, enabling subscribers to view, download and print their invoices from the web.

Personal s subscribers for the year ended December 31, 2018 amounts to 18,316 thousand.

New products and services. In 2018, we continued boosting our strategy with a customer-centric approach based on the concept *Internet para que todo suceda* (Internet to make it all happen). This concept is based on Telecom s integrated mobile telephony and broadband services, which Telecom believes differentiates it from competitors, but also on the idea of internet as the most important source of communications in modern times.

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Personal continued developing its international roaming retail offer with Pack Mundo, which applies in more than 45 destinations worldwide and offers unlimited WhatsApp and a volume of data for 30 days. The pack was launched on June 1, 2018 and promoted during the FIFA 2018 World Cup tournament and was activated by more than 15,000 customers during its first month of operation. We will also strive to continue improving the coverage and speed of the network, with goal of obtaining LTE capacity in more than 75% of our sites. We continue to be pioneers in the mobile telephony industry, extending the unlimited WhatsApp offer in worldwide roaming, launching offers that give discounts for international calls to Paraguay, Bolivia and Peru and structuring a special internet services offer for people living in areas surrounding Argentina's border with Paraguay and Bolivia, which can be used in these countries without incurring additional roaming charges.

Through Club Personal, Telecom's free, nationwide loyalty program, Telecom offers customers discounts on third-party products (cinemas, restaurants, ice cream shops, theaters, among others) and points that can be redeemed for prizes. In 2018, we began consolidating Club Personal as our single loyalty program, with the aim of offering and communicating our convergence benefits in a unified way to all of our customers. In late 2018, we launched the Convergent Club Personal, through a new online application that allow clients of the Personal, Cablevisión, Fibertel and Arnet brands to use the Club Personal program discounts. As part of our ongoing development of its customer service platform, we will strive to enter into new partnerships to enhance the catalog of discounts with nationally and internally recognized and entertainment venues.

Finally, we continued our strategy of repositioning our brand Personal by hosting the annual Personal Fest, one of the most important international music festivals in Buenos Aires.

Wholesale

International Business. During 2018, we continued to strengthen our position in the international roaming services market, expanding 3G and 4G LTE agreements, in order to provide a better user's experience to our subscribers.

We entered into ten (10) GPRS, 30 3G and 25 LTE agreements during 2018, reaching an overall total of 410 commercial agreements of international roaming, which provide service in more than 180 countries.

In order to improve the customer's roaming service experience, Telecom Argentina entered into a partnership agreement with Vodafone. In this context, we decided to conduct a comprehensive assessment of our wholesale roaming business unit, provided through Telecom Argentina.

This assessment compared Telecom Argentina's current level of roaming capabilities with Vodafone's best practice and highlight areas of focus to enable us to enhance the efficiency of our wholesale roaming business and to leverage roaming wholesale to deliver a superior customer experience to Telecom Argentina subscribers.

Domestic Business. The main national wholesale revenues are composed by call termination in a mobile network (TLRD), calling party pays (CPP) charges, and to a lesser extent, national roaming sold to other operators in connection with the use of our network, as well as by leasing of infrastructure sites.

During 2018, we continued to strengthen our relationship with operators and telecommunication services providers, cooperative s federations, and clearing house services suppliers, renewing the existing contracts or entered into new ones.

We also entered into new agreements with cooperatives for installing new cell sites in their local area with the purpose of achieving or improving the mobile coverage in their influence areas and in accordance with the Company s deployment plan.

We expanded agreements to contract resources and facilities of other operators (data links, interconnection resources, origination, termination, and transport minutes, conventional and non-conventional site leases and domestic roaming) that contributed to continue the mobile network development and its 4G evolution improving the offer to customers.

During the second half of 2018, the ENACOM issued a new national wholesale interconnection regulatory framework applicable for mobile and fixed voice services. This regulation introduced changes to the local wholesale business model, cancelling the calling party pays (CPP) charge and replacing it with a new wholesale call termination called Mobile termination charge. See Item 4 Information on the Company Regulatory and Legal Framework.

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Network and Equipment

In terms of infrastructure, during 2018 we continued to accompany and enhance the evolution of services with the deployment of the Personal 4G / LTE network, together with the technological reconversion of 2G / 3G networks, and the deployment of fiber optics to connect all homes with broadband. The deployment of 4G reaches 1,173 localities with coverage of 87% of the population of Argentina (98% of the population of capital cities). In addition, the deployment of 4G + services continued to advance throughout the country, thanks to the solution of Carrier Aggregation 4G (use of two simultaneous frequency bands). The tangible benefit that our customers perceive is a better service experience, with faster speeds that reach 100 Mbbps.

From the very beginning of this deployment, in the locations where 700 MHz Band is not interfered, Personal turned on simultaneously 700 MHz and 1,700/2,100 MHz Bands, which allows an optimal and efficient spectrum usage, through carrier aggregation functionality. Together with these actions, we continued increasing existent sites capacity, reassigning 2G spectrum and adding new spectrum obtained from the aforementioned public tender.

Additionally, we continued to increase the number of radio base stations connected with optical fiber and full IP protocol, allowing for the availability of needed broadband, in the present and for future services.

Finally, we can mention the startup of the new IMS platform (IP Multimedia Subsystem) functionalities, oriented to the convergence and evolution of services such as VoLTE (Voice over LTE), VoWifi (Voice over Wi-Fi), VoIP (Voice over IP), etc.

Competition

The market for mobile telecommunications services in Argentina is characterized by intense competition. Operators are generally free from regulation to determine the pricing of services. There are currently three mobile operators offering nationwide service. These three operators are Telecom, Telefónica Móviles Argentina and América Móvil. According to the statistics published by the ENACOM, the penetration of mobile service in Argentina has reached 141.9% of the population in 2015, 146.2% in 2016, 139.9% in 2017 and 132.9% in 2018. This information regarding penetration of mobile service is an estimate, based on demographic data from Argentina's 2010 national census 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 providing trunking telephony and other telecommunication services in Buenos Aires and cities in the interior).

During 2018, service providers in Argentina continued to make significant capital expenditures in new network infrastructure for the enhancement and deployment of 3G and 4G technology, which allows for the higher transmission speeds required for Value Added Services such as data transfer, video calling and Internet browsing.

On May 5, 2016, the Ministry of Communications issued Resolution No. 38/16 approving the new Regulation of Virtual Mobile Operators (VMO), thus allowing the entrance of new competitors.

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

Nextel

Through Nextel, we provide Integrated Digital Enhanced Network (IDEN) telephony services to existing customers which enables us to offer push to talk technology to such mobile services customers. Prior to the Merger, Cablevisión acquired Nextel to further its strategy of entering into the Argentine mobile market and expanding its mobile services. By combining its fiber optic network with Nextel s network, Telecom offers its customers fourth generation (4G) access, among other innovative mobile services.

As of December 31, 2018, Nextel had a total of 252,337 customers, distributed between its push-to-talk over cellular (POC) and 4G access options. Beginning on January 2018, Telecom began a campaign to migrate Nextel customers to the Personal brand. As of December 31, 2018, Telecom completed 46,378 4G customer migrations, with the month of June 2018 recording the highest number of migrated customers (approximately 10,600 customers) since start of the migration campaign.

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Broadband Internet Services

Broadband Internet access, often shortened to broadband, is high data rate Internet access. Broadband can be delivered through three technologies: cable modem (HFC), ADSL, optic fiber (FTTC and FTTH) and wireless; cable Modem and ADSL being the most widely used. Telecom markets our ADSL/FTTH service through the Arnet brand and in partnership with other Internet services providers. Telecom markets our cable Modem and TV services through our Fibertel brand and in partnership with other Internet services providers. Telecom believes that, as a result of the Merger, will benefit from having access to the best network available in their respective region, irrespective of which company such network used to belong to.

During 2018, we made efforts to continue deploying FTTH network enabling more customers to access ultra-high internet velocity with speeds of 100MB and also upgrading the customer base average speed by migrating customers to its FTTC network (i.e., technologies that replace copper with fiber optics in different points of the transmission network). As of December 31, 2018, the number of customers with FTTH or FTTC has grown 168% when compared to December 31, 2017. Internet dial-up service represents a marginal percentage of our revenues. We continue to provide this service to a small market where broadband service is not available.

As of December 31, 2018, we provide data transmission and Internet services, including traditional Broadband, Internet dedicated lines, private networks, national and international video streaming, transportation of radio and TV signals and videoconferencing services. As of December 31, 2018, we had approximately 4.09 million Broadband subscribers, representing a 1.1% increase as compared to 4.05 million subscribers as of December 31, 2017.

With respect to the access networks, our strategy aims to satisfy the rising broadband demand, mainly for downloading videos and multimedia content from the Internet. In this respect, we intend to continue the expansion of our access fiber optics infrastructure, using different modalities and technologies, which have been optimized based on the demand of the services provided and different geographic locations.

In order to increase our Internet access base, we have acquired some IRUs on a submarine facility of Latin America Nautilus (LAN), 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 us with IP Transit providers in Miami. We have also contracted international capacity under lease modality (IP Transit) in Buenos Aires to ensure better performance regarding regional traffic. In order to have a reliable service these IP Transit is provided by two capacity providers in a redundancy geographical path (Latin American Nautilus and Telxius Cable Argentina).

Through our wholly owned subsidiary in the United States, Telecom Argentina USA, a corporation organized under the laws of the State of Delaware, we focus mainly on wholesale long-distance international traffic, video and data services.

Telecom Argentina USA, routes the majority of its wholesale traffic through its own switching capabilities. In 2018, Telecom Argentina USA, continued operating a Node of high-definition video in Miami, thus extending the Telecom video matrix to the international market.

Fibertel

We believe that Fibertel is the broadband service that offers the best selection of speeds in the Argentine market in massive form and at competitive prices. During 2018, progress was made in the search to maximize the quality of the service and thus improve the customer experience.

Since the Merger and taking into account the network overlap between Fibertel and Arnet, the company adopted the concept of preferred network in order to improve the distribution and reach of the Internet service. Prior to the Merger, Cablevisión offered high-speed cable modem access to the Internet through under the Fibertel brand since September 1997. Through the Fibertel brand our Internet connectivity products are specially tailored for the needs of each residential or corporate user, and include specific solutions such as virtual private network services, traditional Internet protocol (IP) links and corporate products that offer additional services. Since 1997, we have consistently upgraded our network in order to increase the speed of its products. As of December 31, 2018, our customers had an average access to networks of 21 megabytes.

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In 2010, with the purpose of enhancing the development and innovation of corporate products, Cablevisión created FiberCorp, which is a corporate business unit within Fibertel that provides telecommunication solutions to large, medium and small-size companies. FiberCorp has a wide communications network for the transportation of data, sound and video, which enables it to provide internet access, dynamic connections, symmetric access and IP video vigilance, among other services.

Through the Fibertel brand, we also provide high-speed Internet services in the AMBA Region, Córdoba, Rosario, Campana, Río Cuarto, Posadas, Salta, Olavarría, Pergamino, Mar del Plata, Bahía Blanca, Santa Fe, among other cities in Argentina.

Additionally, we also offer international IP access through well-known global backbone providers.

Arnet

Prior to the Merger, Telecom provided residential Internet services under the brand name Arnet since 1998. We mainly offer this service in the major cities of Argentina. In recent years, Telecom's Internet service has experienced higher demand and usage in less populated areas of the country. The Internet services include Access and Arnet service.

The Company decided, in the fourth quarter of 2018, to discontinue the use of the trademark Arnet brand to market its broadband product. The clients that currently use this brand will be included under the Fibertel brand. This will simplify the brand portfolio by completing the product alignment and establishing a better and more direct communication with our customers. Fibertel will also bring these clients closer to accessing Flow.

Competition

We face nationwide competition in the Internet service market in Argentina from Telefónica, Gigared, and Telecentro (providing a triple-play offer), among others. Our data services business faces competition from Telefónica, AMX Argentina (commercially known as Claro), and from several providers of niche data services such as Level 3 Argentina, IPlan and others.

Cable Television Services

Overview

As of December 31, 2018, our cable network passed through approximately 7.85 million homes. We can deliver a two-way network with a bandwidth capacity of more than 750 MHz to approximately 79% of the homes passed through our cable network and, in the AMBA Region,

this percentage increases to 86% of the homes passed through our cable network. Through these networks, we offer additional revenue-generating services and products, such as premium services and pay-per-view, as well as high-speed data transmission and Internet access using two-way high-speed cable modems.

Our Cable Television Networks and Operating Regions

As of December 31, 2018, our principal cable networks were located in the Buenos Aires Metropolitan Area, which includes the City of Buenos Aires and surrounding areas and which, together with the city of La Plata, form the AMBA Region. We also operated cable networks in other cities within the provinces of Buenos Aires, Santa Fe, Entre Ríos, Córdoba, Corrientes, Formosa, Misiones, Salta, Chaco, Neuquén and Río Negro. As of December 31, 2018, Telecom served approximately 3.6 million cable television customers, which were organized into four operational regions: the AMBA Region, the Province of Buenos Aires and Patagonia Region, the Central Region and the Litoral Region. As of December 31, 2018, Telecom's cable network passed through approximately 7.8 million homes and extended to over approximately 55,000 kilometers, and its interurban fiber optic network passed through approximately 10,000 kilometers.

The AMBA Region includes cable systems deployed in the City of Buenos Aires and its surrounding metropolitan area. It is the region with the highest purchasing power in Argentina and is also the most densely populated. There are approximately 12.8 million inhabitants in the AMBA Region, representing approximately 33% of the total population of Argentina, according to the last census published by the INDEC.

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Our Province of Buenos Aires and Patagonia Region consists of five sub-regions: La Plata, Neuquén, Lincoln, Bahía Blanca and Mar del Plata, including 100 municipalities.

Our Central Region includes cable systems located in the provinces of Córdoba, La Pampa and Salta, including the cities of Córdoba, Río Cuarto, Villa María, Santa Rosa, Salta and San Francisco.

Our Litoral Region includes cable systems located in the Northeast region of Argentina, including the cities of Rosario and Santa Fe, in the province of Santa Fe; Paraná, in the province of Entre Ríos; Posadas, in the province of Misiones; Resistencia, in the province of Chaco, the city of Corrientes and other cities in the Province of Corrientes and the city of Formosa in the Province of Formosa.

Programming and Other Cable Television Services

We invested significant resources to offer a wide variety of programming options in order to appeal to potential new subscribers and meet their needs. Our cable television services revenues are derived primarily from monthly subscription fees for cable service and high-speed Internet access. To a lesser extent, our cable television services revenues also derived from connection fees and advertising and from fees for premium and pay-per-view programming services, digital packages, DVR, HD packages, video-on-demand services (VOD) and magazine distribution.

Prior to the Merger, Cablevisión purchased basic and premium programming from more than 50 signal providers, including, among others, ESPN SUR S.A., Imagen Digital S.A., HBO Latin America Group (HBO), Fox Latin America Channel S.R.L., LAPTV, Tele Red Imagen Sociedad Anónima (TRISA), Pramer, Discovery Latin America (Discovery), as well as all broadcast television channels of Buenos Aires. The programming arrangements have an average duration of 24 to 36 months, and are primarily denominated in Pesos. The fees paid to signal providers under these arrangements are linked to the growth of Telecom's subscriber base and the fees it charges to its customers.

Premium Services

Our customers are given the option to acquire premium additional packages not included in the basic package by paying an additional fee. These packages and services include channels in addition to those included in the basic package, provide exclusive content, and divide such content by movie genres, adult programs and sports, or a combination of these categories. The monthly fees charged for premium services vary depending on the package subscribed to by the customer and the geographic and operational region in which we offered such service. Premium subscribers received a free digital box that enables them to access this service and gives them the option to choose pay-per-view programs.

In July 2017, Telecom launched the Football Pack as part of the Premium services package, which allows access to view all the matches of the Argentine Football Super League, as well as access to two new channels: Fox Sports Premium and TNT Sports, with exclusive broadcast 24 hours a day, every day of the week. As part of the promotional strategy, free access to the Football Pack was provided to our customers during the first three dates of the Super League. As of October 27, 2017, customers had to formally subscribe to the pack by paying a monthly fee of Ps. 300. As of December 31, 2018, we have 659,457 active subscribers to the Football Pack. Coverage of matches involving foreign football leagues abroad or of the Argentine national team continued to receive their normal transmission and were not affected by the launching of the Football Pack, which includes only the matches of the Argentine First Division Super League.

Basic Digital Service

We offer the digital service in the AMBA Region and in the most important cities of Argentina in terms of size and wealth (such as Córdoba, Rosario, Santa Fe, among others). This service gives subscribers the option to increase the number of channels offered and includes an onscreen programming guide.

We offer a package called the Basic Digital Pack. Through this package, our customers received a wide range of channels, including informative news reporting, sports coverage and entertainment television. They also received more than 50 additional audio channels, which gave Telecom's customers access to local radio stations, as well as to opera, rock, tango and salsa music, among other options.

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HD Services

We offered high definition versions of our Basic HD and our Premium HD Packages, such as Cablevisión Max HD, in locations where the required technology to broadcast this format has been deployed. This programming package included a large variety of genres such as sports, movies, series, documentaries and music, with high resolution and better image quality. Moreover, this offer also included open air channels under an HD format.

Through our HD platform, we broadcasted events using 3D technology for subscribers of the Premium HD service program that have the necessary equipment for this type of technology. In addition, since 2012, we offered our HD customers a new VOD service that enabled them to purchase programs or packages offered through an onscreen programming guide, with access to certain free services. The VOD programming services enabled Cablevisión, and following the Merger, Telecom to offer our customers interactive audiovisual content without time constraints. Such VOD programming included channels such as Wobi TV, HBO, Discovery and ARTEAR.

Over The Top Services

In order to provide customers the best experience while still providing the best access to its content, in November 2016 Cablevisión launched a digital platform that integrates television channels with On demand content known as Flow that enabled it to distribute its contents through an IP structure coupled with digital television quadrature amplitude modulation, which included adequate security measures. Flow enabled Cablevisión's (and following the Merger, Telecom's) clients to use new modern functions such as lineal streaming, reverse electronic program guide, the possibility to start over a program, access to video on demand contents and cloud DVR (which permits subscribers to save content in the providers database instead of in the subscribers digital recorder). These new functions were provided through a new subscribers interface coupled with new search systems and advanced recommendations tailored to each subscriber, and could be accessed through different devices (such as tablets, smartphones, smart TVs, among others).

We offered to some of our clients under the Personal brand the possibility to watch the games of the Argentine soccer team at the Russia 2018 Soccer World Cup without charging them for the data consumption.

Competition

With respect to cable television transmission, we faced competition from other cable television operators and providers of other television services, including direct broadcasting, satellite and wireless transmission services. As a result of the non-exclusive nature of our licenses, our cable systems frequently have been overbuilt by one or more competing cable networks; in addition to the satellite television service that is also available. Free broadcasting services are currently available in Argentina. In the AMBA Region, these services primarily include four privately-owned channels and their local affiliates, and one state-owned national public television network. In addition, the Argentine government has distributed digital boxes to certain sectors of the population that provide free access to certain channels in connection with the Argentine Terrestrial Digital Television System.

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Paid television industry is highly fragmented, and our largest competitor is Telecentro S.A., which is focused in the AMBA Region, and DirecTV Argentina S.A. (DirecTV) (satellite television), present throughout the entire country. Telecom also considers Over-The-Top internet video system providers such as Netflix and On Video as competitors.

Among paid television systems, competition is driven primarily by:

- price;
- programming services offered;
- customer satisfaction; and
- quality of the system.

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Subsidiaries in Paraguay and Uruguay

Paraguay

We provide nationwide mobile telecommunication services in Paraguay through our subsidiary, Núcleo, under the Personal trademark. Telecom holds 67.5% of the capital stock of Núcleo and the remaining 32.5% is held by ABC Telecomunicaciones S.A., a Paraguayan corporation. Núcleo was granted licenses to provide commercial mobile services, Internet access and videoconference and data transmission services in Paraguay.

CLIENTE+ was launched in 2017 to provide our customers with an exclusive benefits platform that rewards customers who use all the products offered by Personal: Telephony, TV, Billetera Personal and Club Personal. The purpose is to engage more customers as users of all our products and services and provide benefits for choosing us, thus boosting the positioning of a multi-product company through which we can offer communication and connectivity integrated solutions to our customers.

Total Mobile subscribers in the Mobile Telecommunication Services in Paraguay amounted to 2.4 million and 2.5 million as of December 31, 2018 and 2017, respectively.

Núcleo implemented several customer management modules, among them, *Front de Informes*, *Condiciones Comerciales*, *Portabilidad Numérica* and *Promociones*.

In addition, within the framework of technological upgrading, Núcleo implemented the databases of the modules *Registradores de Tráfico*, *Roaming Inbound* and *Tasadores/Retasadores de Llamadas y SMS* in the new Production environments.

WebVAS (Web and Value-Added Services): Núcleo achieved the development of interfaces that facilitate the operation of Points of Sale and Trigger Points, highlighting the improvement of several customer-focused services.

Network and Equipment

In September 2017, CONATEL began the public consultation process for the auction of 700 MHz spectrum bands. The final bidding terms were launched on October 30, 2017 and, in December 2017, Núcleo was selected as one of the prequalified bidders. The process ended on January 4, 2018, with the simultaneous ascending price auction of 7 sub bands of 5 + 5 MHz each. Núcleo was awarded two of them for US\$ 12 million (public consultation process denominated in US\$) per sub band subject to compliance with certain conditions provided by CONATEL's resolution. On March 6, 2018, CONATEL notified Núcleo Resolution No. 375/2018 through which H-H and I-I' sub bands included in 700 MHz spectrum bands were assigned to Núcleo. The license is for five years that can be renewed with a payment of a 3% of the total investment.

In June 2017, Núcleo requested the renewal of its two main licenses, STM and PCS, whose maturity dates were on October 22, 2017. Prior to their expiration, CONATEL issued, pursuant to the telecommunications law, resolutions of precarious extensions for an extendable term of 90 days. On March 20, 2018, through resolutions of Núcleo S.A.E.'s Board of Directors 457/2018 and 458/2018, CONATEL renewed the aforementioned licenses for a period of 5 years.

In 2018, Núcleo has commenced the deployment of a fixed network Fiber To The Home (FTTH) approved for Internet services in a first stage (increasing the speed offered) and for TV in a second stage. The product generated great opportunities in the corporate segment.

Competition

Currently, there are four participants in the mobile telecommunications services market in Paraguay. As of March 31, 2018, Núcleo's main competitor was Tigo (a Millicom International Cellular subsidiary). The operators provide services using 2G, 3G and 4G technology. The Paraguayan market is highly competitive. Tigo holds a significant market share in terms of revenues.

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Uruguay

Overview

Telecom provides management and administration services to companies that render cable TV services in Uruguay under the brand Cablevisión through the company Telemás S.A.

As of December 31, 2018, Cablevisión had approximately 143,500 subscribers in Uruguay and is present in the departments and locations mentioned below providing cable TV services under different technological platforms.

Network and Equipment

Southern Area: UHF (Ultra High Frequency) and DTH (Direct To Home) Platform: Montevideo and the metropolitan area comprising Ciudad del Plata (department of San José) and different locations in the department of Canelones.

The Company is conducting a migration process of its customers in the Southern Area from the UHF platform to the satellite platform, as provided by Decree No. 387/017. On July 11, 2019, the Company must return the UHF frequencies. For that purpose, it has to migrate 100% of its UHF customers to free up the spectrum.

This evolution towards the satellite product, together with the platform FLOW, which allows customers to enjoy the programming grid and on demand contents from any device, is another step forward that places our Cablevisión trademark at the forefront of the industry and strengthens its leadership in Montevideo and different areas in Canelones and San José.

Departments: Cable and DTH Platform: In the capital cities of the departments of Artigas, Salto, Paysandú, Rivera and Tacuarembó, and in the city of Paso de los Toros (department of Tacuarembó) the Company renders cable TV services. In rural areas and in some locations of those departments, services are rendered via the satellite platform (DTH).

Strategic Agreement

As a result of the agreement signed between Antel and Telecom Argentina, starting December 21, 2018 customers will no longer be charged for the roaming service between Uruguay and Argentina. Therefore, the contractual mobile telephony customers of Antel can now use mobile

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services without paying additional charges when they travel to Argentina. The agreement includes voice calls, data and text messages.

We believe this agreement will contribute to the development of tourism and to the strengthening of the bonds of brotherhood between both countries.

Competition

The TV market in Uruguay has approximately 735 thousand subscribers. DirecTv Uruguay holds a 28% share in that market after Cablevisión Uruguay, which holds a 19% share, and the rest is divided among different local distributors.

The market showed a downward trend, marked by the increase of online entertainment alternatives. During the first half of 2018, the market experienced an increase, mainly driven by DirecTV Uruguay and its broadcast of the 2018 FIFA World Cup Russia through its online platform.

A key factor is the strengthening of the US dollar, with the consequent depreciation of the local currency that ends up affecting the consumption decisions of households and a more pessimistic consumption level.

Corporate Customer Services

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, we maintained our strategy to position ourselves as the integrated provider for large customers through the offer of convergence of 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.

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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. We also provide 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 2018, we maintained our efforts in 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 datacenter in the city of Pacheco, province of Buenos Aires consolidating its position as leader in the market and enhancing the level of services supplied. Such investments will enable us to support business growth in the next few years with the highest market standards.

The main solutions and businesses developed for corporate customers in recent years and which continued during the year ended December 31, 2018 included, among others:

- Expansion of the truncated digital communications system for the Autonomous City of Buenos Aires Police force, the Emergency Medical Care System, and the subways.

- IP connectivity services, installation of dark fiber for broadcast, Network Security Services and Datacenter for the 2019 Youth Olympic Games.

- Extension and renegotiation of 911 systems for public safety management.

- A datacenter solution in alliance with Oracle to optimize operations for a supply chain management company.

- Launch of the solution connected-car in association with Chevrolet, integrating the Jasper service. Jasper is a platform for the administration of IoT services which allows both us and the client to configure the accounts, to create automation rules, and to generate reports in order to measure traffic volume, among other variables.

- Implementation of unified communications, networking, collaboration and firewall solutions, with CISCO technology, for an insurance company.

Information Technology Strategy

Among the highlights of the year 2018 for this item we can mention:

Convergent Business

- We implemented and unified into a single contact center platform the different client-to-provider contact channels (including telephone, face-to-face contacts, social networks (Twitter, Facebook) and Multimedia (chat, email)). Services provided to our Personal clients will tentatively be incorporated to this platform during 2019.
- We implemented a real-time decision platform to execute a personalized and thoughtful customer service, giving clients a unique, differential and 100% personalized support.
- We developed the internal management systems to provide the convergent sale of 3Play and 4Play services.
- We adapted all of our management systems to merge information from different sources into Telecom Argentina, besides presenting the information of the different systems in a unified way.

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Corporate systems

- We created a new push-to-talk service for our former Nextel clients that are migrated to Personal. This solution is already available for our clients and we started the migration process.
- As part of a transformational program 4UP of administrative processes and tools, we implemented Central Finance of S4 HANA SAP. The functionalities of Central Payment and Credit Management were also implemented.

New Operating Model

The merger between Telecom Argentina and Cablevisión required a review of the operating models of both companies and the creation of a new operating model that would allow us to capture efficiencies in the back-office processes and maximize economies of scale and synergies. These efficiencies may be achieved by operating with cross-cutting and integrated processes that facilitate coordination among the areas.

In addition, the Merger requires the integration of the ERP systems of each company. To this end, we decided to implement the SAP S/4 Hana solution.

In August 2018, SAP Central Finance and Central Payments were implemented, which allowed us to consolidate the accounting records of the merged companies and to generate centralized payments.

During 2018 and until February 2019, we continually monitored the performance of the operational models. More than 100 new processes were developed based on good practices and a transformation roadmap was created to accelerate post-Merger value capture and to be used as a key vehicle to achieve the cultural transformation of the merged companies. The roadmap also provides for the expeditious implementation of the future technological solution and the modules within scope. Our goal is to fully implement the roadmap by 2020.

Technical systems and operational support

- We launched the OSS Program, to give a vision and an integral follow-up to all the technical projects that will be key to achieve the transformation of the technical operation
- We also implemented the FlowOne project, which included the technological update of the Personal Provisioners, allowing the integration between the OM of FAN and the Mobile Network. This new platform

has High Availability (HA) on site and geographical contingency (DRP).

FAN

In late 2016, Telecom began to upgrade its management platforms through a digitalization and Omnichannel approach. Through the #Fan program, we implemented a comprehensive refurbishment of the platforms that we rely on to manage our customer relationships, including the delivery, charging, billing and collections methods, integrating different cloud and on premise frameworks in line with the global process towards the convergence of products and services within our industry. We consider these initiatives a critical step towards the strategic transformation in our business management that will help us prioritize our customer relationships.

The main drivers of the #Fan program are achieving a better customer experience by ensuring a single vision of the customer, simplifying commercial processes and increasing operating efficiency. This is expected to:

- Improve customer care quality and ensure the synchronized management of all of our contact points: in-person, telephone and Internet, in a coherent and coordinated manner.
- Increase issue resolutions on the first customer contact and accelerating time-to-market.
- Ensure time management efficiency: faster assistance as a result of simpler operating systems.
- Maximize the benefits of the digitalization and Omnichannel approach: Introducing more self-management options, as a result of simpler management platforms and more flexible services.
- Provide greater accessibility and transparency in the information available through multi-device and multiplatform access.

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- Ensure the alignment of our services with customer profiles, streamline and reduce billing cycles, set maturity dates and reduce collection periods.
- Generate a unified, clear and simple billing for all the products and services we offer, as well as those managed by third parties.

Following the consummation of the Merger, we are working on incorporating Cablevisión's products into the #Fan program's framework.

During 2017 the Discovery stage of each module (CRM/OM and CBS) was completed and we started developing a mixed model (Agile and Waterfall).

During 2018, the Convergent Billing System platform was implemented for completion of Charging, Billing and Collection cycle, and the implementation of CRM-OM (Relationship and Orchestration) of prepaid services for friendly users has begun.

It is estimated that in the second half of 2019 will take place the Go Live Mobile (Postpaid) and the beginning of Customers migration. Also, during 2019 the Discovery of Quadplay phase will begin.

Datacenter

Among the highlights of the year 2018 for this item we can mention:

- *Open system technological update:* HW was migrated to the latest version of the market, which made it possible to lower the number of incidents by more than 60% and increase system availability by more than 8%. Additionally, achieve batch processing times markedly superior to those obtained with the old HW.

This update allowed adding new users to the system as a result of convergence (more than 800 users) without any impact on the services performance.

- In addition to these infrastructure enhancement actions, the Legacy Stabilization Program (PEL) was implemented, which together with the aforementioned actions collaborated in maximizing the availability and performance of the critical services that support the business. The PEL program worked on the stabilization and assurance of the operation of the critical applications of the mobile, video, broadband and fixed telephony services, improving all the KPIs established in conjunction with the business.

- **Storage Consolidation:** During 2018 we worked constantly in the consolidation of the critical storages, with really positive results in terms of storage capacity, consumption, consolidation, occupation of spaces.
- **Shutting down Legacies:** The different actions of enhancement, virtualization plus the constant search for operational efficiency gave the possibility of shutting down, disconnecting and uninstalling more than 700 servers (productive and non-productive).

Network Architecture

Our network's trunk or backbone portion in the AMBA Region consists entirely of fiber optic cable. We built a fiber optic cable ring around the City of Buenos Aires that provides network redundancy (which helps ensure network availability in the event of a network device or path failure resulting in unavailability) and improves overall network reliability. We have deployed a similar fiber optic network architecture in Córdoba and Salta, in the Central Region, and in the cities of Santa Fe, Paraná and Rosario in the Litoral Region.

Cable television and data signals are transmitted from the main headend—the control center of the cable system, where incoming signals are amplified, converted, processed and combined for transmission to the customer—to the hubs that provide services to specific areas. Each hub concentrates and transmits the cable television and data signals it receives via fiber optic cable to optical nodes. At each node the signals are converted from optic to electric codes and are then re-transmitted via coaxial cable to a distribution node. From there, the signal is transmitted to the subscriber's domicile along a coaxial or "drop" cable.

Our cable networks outside of the areas described above are built with coaxial cable architecture. We intend to continue extending the fiber optic cable and other technological improvements that currently exist in the AMBA Region and the main cities of the other three regions, such as hybrid fiber coaxial technology, to other operational cities within such regions as part of its long-term plan to expand and improve its network capacity.

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Sales and Marketing

Telecom's marketing strategy focuses on subscribers that receive only one of its main services to cross sell its fixed and mobile telecommunications services, cable television services and broadband services packages, to offer innovative services to its existing customers, and to upgrade existing broadband customers to higher speeds. An increase in the number of subscribers who received all of Telecom's fixed and mobile telecommunications, cable television and broadband services, together with an increase in the numbers of services provided to its existing subscribers is expected to result in an increased ARPU.

Telecom relied on various marketing tools, including promotions, customer service centers, communication of company news, and dissemination of institutional and programming information through its websites. Telecom advertised in graphic media and on its own broadcast advertising spaces.

Telecom's marketing activities included:

- advertising on television, radio, newspapers, billboards on the streets and local programming channels offered to customers;
- personal visits to current and potential customers;
- telemarketing directed to potential and former customers, as well as current customers who have not subscribed to any premium services;
- mailing information and special promotional material to current and potential customers; and
- special events for Telecom's customers, some of which are sponsored jointly with programming providers.

Customer Support

Telecom's customer service operations related to cable television services are provided through a unified center (the Contact Center) available 24 hours a day and 365 days a year. Telecom's cable television services customers can contact the Contact Center by phone, e-mail and chat through its website, as well as through social media such as Twitter and Facebook. Accessibility through social media is particularly important in Latin American countries and especially in Argentina, which shows a high degree of social media penetration.

Telecom's customer service operations related to mobile telephony services include specialized call centers and approximately 4,600 customer service representatives consisting of in-house and third-party personnel. By calling the customer service hotline, mobile telephony customers can make inquiries about their accounts. Our model of care includes a special telephone channel for high-value customers (Black and Business accounts). In line with current market demands, we also provide the option for account self-management through special online portals, therefore simplifying the procedure and providing our customers with alternatives. Access to these online portals includes processes for validating customer identities and analyzing behavioral patterns to anticipate their needs.

Beginning in 2017, Telecom has special customer service programs specifically tailored to the convergent solutions we provide. We implemented and unified in a single contact center platform the different client-to-provider contact channels (including telephone, face-to-face contacts, social networks (Twitter, Facebook) and Multimedia (chat, email)). Services provided to our Personal clients will tentatively be incorporated to this platform during 2019. We implemented a real-time decision platform to deliver personalized customer service.

In addition, Telecom also offers a paperless option for invoices and other customer service processes, replacing them with free digital invoices.

Telecom's customer satisfaction indexes have been maintained above its goal of 85%, based on top two box methods, confirming the excellence of the services provided. Telecom believes that its attention to customer service differentiates it from its competitors and is rewarded with customer loyalty.

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Billing and Subscriber Management

With respect to fixed telephony services, Telecom distributes a monthly invoice to subscribers. These invoices include a base monthly charge, as well as measured service charge 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 and the duration of calls. In order to compete with other market participants, Telecom 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. Additionally, due to the applicable regulatory regime, Telecom is required to offer discounts to certain segments of its subscribers, including retired individuals and low-income residential customers.

With respect to mobile telephony services, Telecom offers flexible pricing and invoice options, including pre-paid, post-paid and mixed (*Abono Fijo*) plans. Under pre-paid plans, subscribers pay in advance for their services, using pre-paid credit that can be purchased through prepaid cards or virtual credit on our website, by phone, at ATMs and drugstores, or through authorized agents. Under post-paid plans, a subscriber pays a monthly fee, plus charges for additional services not included in its plan. Under the Abono Fijo plans, we distribute a monthly invoice to subscribers. Like in post-paid plans, Abono Fijo plans include a quota of megabytes for browsing the internet, unbounded airtime for on-net and off-net calls, SMS and a fixed amount of credit that can be used to buy packs or multimedia contents. Once the free seconds have been used or applicable internet quota has been met, the subscriber can obtain additional credit by purchasing credit through the pre-paid system.

With respect to broadband and cable television services, Telecom's standard billing practice was to distribute monthly invoices to its subscriber in advance and, in the case of cable television services subscribers, together with the monthly programming guide. Monthly fees charged for services vary depending on the subscriber's specific package and, in certain instances, on the geographic and operational region in which Telecom offered such service.

A majority of Telecom's fixed and mobile telephony, cable television and broadband subscribers paid their monthly invoices by automatic credit card or bank account debits. Telecom's subscribers could also pay their invoices in person, personally at local banks or through external collection agents. Telecom pays a commission to external collection agents.

Disconnection policies with respect to the non-payment of services vary depending on the specific type of services:

- with respect to mobile telephony services, subscribers are disconnected after a 150-day period of non-payment and delivery of a notice of disconnection;
- with respect to fixed telephony services, subscribers are disconnected after a 180-day period of non-payment and delivery of a notice of disconnection;
- with respect to cable television services, subscribers are disconnected after a three-month period of non-payment and delivery of a notice of disconnection; and

- with respect to broadband services, subscribers are disconnected after a two-month period of non-payment and delivery of a notice of disconnection.

Management of Churn

Churn refers to the termination of a mobile telephony, cable television or broadband services customer's account. The churn rate is determined by calculating the total number of disconnected customers of each of our mobile telephony, cable television and broadband services over a given period as a percentage of the initial number of customers for such services as of the beginning of the applicable measurement period. Because most of our mobile telephony services are provided under the Personal trademark, historical average monthly churn rates for mobile telephony services customers, included in this Annual Report for comparative purposes, reflect Telecom's operations prior to the consummation of the Merger. To reduce losses associated with churn, Telecom seeks to enforce a strict disconnection policy. See Management's Discussion and Analysis of Financial Condition and Results of Operations Key Business Measures Churn Rate.

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REGULATORY AND LEGAL FRAMEWORK

REGULATORY FRAMEWORK

Regulatory Authority

The activities of the Company that provides Information and Communication Technologies Services (ICT) are regulated by a set of rules and regulations that comprise the regulatory framework of the telecommunication sector.

Until the issuance of the LAD, which was published in the Official Gazette on December 19, 2014 and has been in force since its publication, the telecommunication services provided by Telecom Argentina and its domestic subsidiaries were regulated by the CNC, a decentralized agency within the scope of the SC, which was also under the scope of the Ministry of Federal Planning, Public Investment and Services. (See Law No. 27,078 Argentine Digital Law below). Subsequently, through the LAD it was created the Federal Authority of Information and Communication Technologies (AFTIC), as a decentralized and autonomous agency within the scope of the National Executive Power (PEN), which would act as the regulatory authority of the LAD and would replace, for all purposes, of the SC and the CNC.

The LAD conferred the AFTIC the regulation, control, supervision and verification functions concerning Information and Communication Technologies (ICT) in general, and in particular of the telecommunications, postal service and all those matters integrated to its field in accordance with the provisions of the LAD.

In relation to the exploitation of subscription broadcasting services by physical and/or radioelectric link that were originally awarded under the regime established by Law No. 22,285, the COMFER was the enforcement authority established by that law. Under Law No. 22,285, subscription broadcasting companies in Argentina required a non-exclusive license from the COMFER in order to operate. Other approvals were also required, including, for some services, authorization by municipal agencies.

The Audiovisual communication services Law (Law No. 26,522, LSCA) was passed and enacted on October 10, 2009. Law No. 26,522 provided for the replacement of the COMFER with the Audiovisual Communication Services Law Federal Enforcement Authority (AFSCA) as a decentralized and autarchic agency under the jurisdiction of the National Executive Branch, and vests the new agency with authority to enforce the law.

By the end of December 2015, the PEN issued the Decree of Need and Urgency (*Decreto de Necesidad y Urgencia* or hereinafter the DNU) No. 267/15 (DNU 267/15 published in the Official Gazette on January 4, 2016). The DNU substantially amends Laws LSCA and LAD and also creates the ENACOM as a new regulatory authority of those laws. The ENACOM replaces the AFTIC and AFSCA. This new Authority acts as an autonomous agency within the scope of the Ministry of Communications.

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Subsequently, and from Decree No. 632 of August 11, 2017 the ENACOM was within the scope of the Ministry of Modernization. On September 5, 2018, the PEN issued Decrees No. 801 and 802 through which the Law on Ministries was modified again and the organizational structure of the Public Administration, and it is established that the Ministry of the Chief of the Cabinet replaces of the Ministry of Modernization and the ENACOM continues within the scope. In addition, the Government created the office of Secretary of Modernization, who will act as Deputy Chief of Cabinet to assist the Chief of the Cabinet of Ministers in the establishment of cross-cutting modernization policies for the administration of the National Government.

Núcleo, with operations in the Republic of Paraguay, is supervised by the CONATEL, the National Communications Commission of Paraguay and Núcleo's subsidiary Personal Envíos is supervised by the Banco Central de la República del Paraguay.

Telecom USA, Telecom Argentina's subsidiary in the United States, is supervised by the Federal Communications Commission (the FCC).

Adesol is a subsidiary of the Company organized in the Oriental Republic of Uruguay, which is a related party of Bersabel S.A. and Satelital Visión S.A., two licensees that provide subscription broadcasting services in such country and are subject to the control of the Communication Services Regulatory Unit (URSEC).

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Licenses granted to Telecom Argentina

Telecom Argentina holds a non-expiring Unique Argentine Digital License (*Licencia Única Argentina Digital*) over which the following telecommunications services are registered:

- Local fixed telephony;
- Public telephony;
- Domestic and international long-distance telephony;
- Domestic and international point-to-point link services;
- Value Added Services (VAS);
- Data transmission;
- Videoconferencing;
- Transportation of audio and video signals;
- Internet access;
- Mobile telecommunication services (STM);
- Mobile radio communication services (SRMC);
- PCS and SCMA services. These services are also denominated Mobile Advanced Communications Services (SCM);
- Radio Electric Trunking Service (SRCE); and
- Subscription Broadcasting Service by physical and / or radioelectric link
- SRCE (*Servicio Radioeléctrico de Concentración de Enlaces*): Radioelectric Service of Concentration of Links.

Licenses for the provision of SCM services were originally granted to Personal and were transferred to Telecom since the Reorganization according to the terms of the ENACOM Resolution 4545-E/2017.

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SRCE licenses and authorizations were transferred to the Company, within the framework of the merger with Cablevisión, pursuant to the terms of Resolution ENACOM 5644-E/2017 (see point f.).

The Registry for the provision of Physical and/or Radioelectric Link Subscription Broadcasting and their respective area authorizations were transferred to the Company within the framework of the merger with pursuant to the terms of Resolution ENACOM 5644-E/2017.

To Telecom Argentina s subsidiaries

- Núcleo has been granted a license to provide mobile telecommunication services (STM and PCS) throughout Paraguay. In addition, Núcleo has been granted a license for the installation and provision of Internet and Data throughout Paraguay. All these licenses have been granted for renewable five-year periods. See Núcleo's Network and Equipment , regarding the auction process for 700 MHz band spectrum in Paraguay.
- Personal Envíos, a company controlled by Núcleo, was authorized by the Central Bank of Paraguay to operate as an Electronic Payment Company (EMPE) through Resolution No. 6 issued on March 30, 2015, and its corporate purpose is restricted to such service.
- Tuves Paraguay is a Paraguayan company controlled by Núcleo has a license for the provision of telecommunications services and also the distribution of digital audio and television signals to homes, for the term of five years. The license was granted in March 2010 and renewed in March 2015 for a term of five years.

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Registrations and authorizations to use the spectrum that are now held by Telecom as a result of corporate reorganizations and merger by absorption of Cablevision:

1) Personal:

On November 24, 2017, Telecom Argentina and Personal were served with ENACOM Resolution No. 4,545-E/2017, whereby that agency decided:

(i) to authorize Telecom Personal to transfer in favor of Telecom Argentina the registrations of Mobile Telephone Services, Cellular Mobile Radiocommunications Services; Personal Communications Services Area I, II, III, and Mobile Advanced Communications Services, as well as the resources, permits and frequencies granted in its name;

(ii) to revoke the licenses granted to Personal to render Data Transmission, Value Added and National and International Long-Distance Telephone Services; and

(iii) to authorize the transaction reported by Telecom whereby the controlling companies Sofora Telecomunicaciones S.A. and Nortel Inversora S.A. are dissolved without liquidation pursuant to the Bidding Terms and Conditions approved under Decree No. 62/1990.

2) Cablevisión:

On December 22, 2017, Telecom Argentina and Cablevisión S.A. were served with ENACOM Resolution No. 5,644-E/2017, whereby that agency decided, among other things, to authorize Cablevisión S.A. to transfer in favor of Telecom Argentina:

(i) The Registration of physical and/or radioelectric link broadcasting services, including the permits/frequencies required to provide radioelectric link broadcasting services, as well as the area authorizations to provide those services (via physical and radioelectric link), which may operate in Area II, defined as provided under Decree No. 1,461/93, as amended, and the city of Rosario, Province of Santa Fe, and the city of Córdoba, Province of Córdoba, as from January 1, 2018, as provided under Section 5 of Decree No. 1,340/2016, and in the rest of the areas authorized on the dates and in the modalities provided;

(ii) The SRCE; and

(iii) The authorizations and permits to use frequencies and allocations of numbering and sign-posting resources to provide the above-mentioned services held by Cablevisión S.A., pursuant to effective regulations, and the agreement executed by Nextel on April 12, 2017 (IF-2017-08818737-APN-ENACOM#MCO), whereby Telecom

Argentina, in its capacity as absorbing company of Cablevisión S.A., shall, within a term of two years as from the date on which the merger is approved by the CNDC and the ENACOM or any agency that may substitute them in the future, return the radioelectric spectrum that exceeds the limit set under Section 5 of Resolution No. 171-E/17 issued by the Ministry of Communications and/or any regulation that may repeal it in the future. To those effects, the Company shall file with the ENACOM, no later than one year in advance upon the expiration of the two-year term, a proposal to conform to that limit. The ENACOM may accept the proposal, reject it and/or request a new filing with any changes it may deem appropriate.

In addition, through that Resolution, the ENACOM authorized the change of corporate control, pursuant to Section 33 of the GCL, in Telecom Argentina once the merger became effective and the shareholders agreement dated July 7, 2017 became effective in its entirety, as a result of which CVH became the controlling company of Telecom Argentina as surviving company of Cablevisión.

Such Resolution approved:

Law of audiovisual communications

- (i) The relinquishment of the services registrations that are currently non-operative that had been requested by Cablevisión S.A. (People Notice service, Community Repeater, Public Telephony, Location of Vehicles and Alarm by radioelectric link and by Telecom (Community Repeater); and
- (ii) The revocation of the licenses and registrations granted to Cablevisión S.A., now held by Telecom.

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In addition, the Resolution provides that:

- (i) Telecom shall comply with Section 95 of Law No. 27,078, which provides for the conditions under which it may operate the physical and/or radioelectric link subscription television service, transcribed below:
- a. The Company shall create a business unit to provide the audiovisual communication service and manage it separately from the public utility business unit;
 - b. It shall keep separate accounting records and bill the licensed services separately;
 - c. It shall not conduct anti-competitive practices such as tie-in practices and cross subsidies with funds from public utilities to licensed services;
 - d. It shall provide - when requested- to the competitors in licensed services access to its own support infrastructure, especially, posts, masts and ducts under market conditions. In the absence of agreement between the parties, the ENACOM shall intervene;
 - e. It shall not conduct anti-competitive practices concerning the rights to broadcast contents over its networks and facilitate a growing percentage to be established by the ENACOM to the distribution of contents from independent third parties; and
 - f. It shall respect the professional competences and job classifications of the workers in the different activities it is engaged in.
- (ii) Telecom is declared to be an operator with a significant position in the retail market of Fixed Internet Access market in the locations detailed in the Report prepared by the National Directorate for the Development of Competition in Networks and Services of the ENACOM. As a result, it decided that:
- a. Telecom shall, within 60 days as from the date the Resolution was issued, offer the Fixed Internet Access service in those locations at a price that may not be higher than the lowest price offered by the company in Area II for that service. If a similar service is not provided in that Area, it shall apply the lowest price offered at national level by the licensee for a similar service.
 - b. Telecom shall, within 60 days as from the date the Resolution was issued, report to the ENACOM and publish in its institutional website all the business plans, promotions and discounts for the Retail Internet Access service. Telecom shall ensure to other providers, under transparent, non-discriminatory and cost-oriented conditions, access to its own support infrastructure, especially, posts, masts and ducts.

As of the date of issuance of this Annual Report, the Company has complied with such provisions.

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All the provisions mentioned above shall be in effect for a term of 2 years as from the notice of the authorization granted by ENACOM, or until it has been verified that there is effective competition in all or in some of the locations involved. The ENACOM may extend or revoke that term.

With regard to the provision of Quadruple Play services, Section 7 of Decree No. 1,340 shall apply:

SECTION 7 - The providers of Information Technology and Communications Services that make joint service offerings shall detail the price of each of those services, including the breakdown of those prices and discounts or benefits applied to each service or product for the above-mentioned offerings. Pursuant to Section 2, subsection i) of Law No. 25,156 and to Section 1,099 of the Civil and Commercial Code of Argentina, those providers may not subject, in any way and under any condition, the purchase of any service to the purchase of another service, thus preventing the customer from purchasing any service separately or individually.

On June 29, 2018, the Secretary of Commerce issued Resolution No. 374/2018, whereby it authorized the merger transaction in the terms of paragraph a) of Article 13 of Law No. 25,156. (For more information, see Note 4.a) to our Consolidated Financial Statements).

Spectrum

SC Resolution No. 38/14

On October 31, 2014, the Public auction process approved by SC Resolution No. 38/14 for the awarding of the remaining frequencies of the Personal Communication Services (PCS), of the Cellular Mobile Radiocommunication Services (SRMC), as well as those of the new spectrum for the Advanced Mobile Communications Service (SCMA) were carried out. Personal presented its economic bids and was awarded Lots 2, 5, 6 and 8 by Resolution SC N° 79/14 (SCMA) and Resolutions SC N° 80/14, 81/14, 82/14 and 83/14 (PCS and SRMC).

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Through SC Resolution No. 25/15, issued on June 11, 2015, Personal was assigned the rest of Frequency Bands which composed Lot No. 8. Personal stated that such Lot formed a unique and comprehensive block for purposes of complying with the obligations undertaken in connection with the deployment of the SCMA, also expressing that the Federal Government has the obligation to cause the awarded bands to be free from occupants and interferences.

The Auction Terms and Conditions also established demanding coverage and network deployment obligations, demanding significant investments by the Company.

The Auction Terms and Conditions provided authorizations for the use of the auctioned frequency bands for a period of fifteen (15) years from the notification of the award. After this deadline the Regulatory Authority could extend the terms of use upon formal request of the awarded operator (which price and conditions would be set forth by the Regulatory Authority). Subsequently, in Decree No. 1,340/16, it was established that the term of authorizations for the use of frequencies of the SCMA, as well as the corresponding deployment obligations, will be computed from the actual migration of the services currently operating in such bands in the area of Area II (AMBA). On August 30, 2018, the Resolution of the Ministry of Modernization No. 528/2018 was issued, in which it was stated that on February 27, 2018, the effective migration of such services has been verified.

Regulations of Refarming with Financial Compensation and Shared Use of Frequencies

On January 31, 2017, Resolution of the Ministry of Communications 171-E 2017 was issued, approving the Regulations of Refarming with Financial Compensation and Shared Use of Frequencies (Reglamento de Refarming con Compensación Económica y Uso Compartido de Frecuencias) and modifies the spectrum cap, setting it in 140 MHz per provider for each area and/or operating location.

On the other hand, ENACOM Resolution No. 1,033-E/17, issued on February 20, 2017 provided to allocate the frequency bands between 905-915 MHz, and 950-960 MHz to the Mobile Service with primary status, for the provision of SCMA, and throughout ENACOM Resolution No. 1,034-E/17, also issued on February 20, 2017, allocated the frequency band between 2,500-2,690 MHz to the Mobile Service with primary status, for the provision of SCMA in addition to current services when their coexistence is possible.

On March 7, 2017 ENACOM Resolution No. 1,299-E/17 was published in the Official Gazette. This Resolution approved the Refarming Project with Financial Compensation and Shared Use of Frequencies to Nextel Communications Argentina SRL (Nextel), currently Telecom since the merger with Cablevisión S.A. See Note 32 to our consolidated financial statements, to provide the Advanced Mobile Communications Service, granting this company the registration for the provision of such service, and authorizing it to:

- Use frequencies between 905-915 MHz and 950-960 MHz in accordance with the provisions of ENACOM Resolution No. 1,033-E/17 and channels 7 to 10, and 7 to 10 in FDD mode, provided in the Annex of Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project approved by the Resolution.

- Use frequencies between 2,550-2,560 MHz, and between 2,670-2,680 MHz exclusively for migrating users from pre-existing services, for a 2-year period, term in which it should additionally resolve the final destination of those users. Once the migration is completed, or the 2-year term expires, whichever occurs last, Nextel may use channels 11 and 12, and the corresponding 11 and 12 in FDD mode, provided in the Annex to Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project hereby approved.

The implementation of the Project is subject to the issuance of the agreement specifying the terms, conditions, goals, obligations and other issues inherent to the provision of Advanced Mobile Communications Service.

ENACOM Resolution No. 3,687-E/17 call for the on-demand frequency allocation

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

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

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

On July 5, 2017, ENACOM notified Personal of its Resolution No. 5,478-E/17 through which the frequencies included in Lot A were assigned to Telefónica Móviles Argentina S.A., the frequencies included in Lot B were assigned to AMX Argentina S.A. and the frequencies included in Lot C were assigned to Personal (all of them stated in Annex I of ENACOM Resolution No. 3,687 E/17), in the locations detailed in the respective Annexes (attached to Resolution No. 5,478-E/17) as requested by each provider. The Resolution provides that the enforcement of its provisions will be operative, within the Departments of San Rafael, General Alvear and Malargüe, of the Province of Mendoza, once the judicial decision ordered by the Federal Court of San Rafael in the legal process entitled CABLE TELEVISORA COLOR S.A. c/ PEN AND OTHER S/ AMPARO Ley 19,986-File No. 5,472/17 had been revoked.

The spectrum allocation will last 15 years since CABA plus other 13 areas are free of interference over a total of 18 provincial capitals plus Rosario, Mar del Plata and Bahia Blanca and will demand payment of up to approximately US\$55.9 million. The conditions for the spectrum allocation include certain obligations regarding the service launch by localities, penalty clauses for non-compliance with the deadlines established by localities (which would involve the frequency return plus a fine equivalent to 15% of the spectrum value of the locality involved) and certain guarantees required, among them, the deployment.

Spectrum in 700 MHz Band licenses (Paraguay)

On September 2017 the public consultation process was started for the auction of 700 MHz band spectrum. The list of conditions was issued on October 30, 2017 and in December of the same year the prequalification of offerers was done being Núcleo one of the prequalified and having to pay a deposit of US\$15 million in December 2017 (public consultation process denominated in US\$). The process finished on January 4, 2018 with the simultaneous auction of 7 sub-bands of 5 + 5 MHz each one, Núcleo was awarded with two of them for an amount of US\$12 million for each sub-band subject to the compliance with certain conditions provided by CONATEL's resolution.

On February 27, 2018 the auction's price was cancelled for the remaining US\$9 million in compliance with CONATEL's resolution.

On March 6, 2018, by Resolution No. 375/2018, CONATEL decided to grant the license for the provision of Cellular Mobile Telephony and Internet Access and Data Transmission Services in the 700 MHz frequency band, with coverage national, for a period of 5 years, renewable for an equal period.

Regulatory framework of the services provided by Telecom and its subsidiaries

Among the principal features of the regulatory framework governing the services provided by Telecom and its domestic subsidiaries is worth mentioning:

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- The LAD, as amended by Decree of Need and Urgency No. 267/15 and Decree No. 1,340/16;
- Law No. 19,798 remains in force only to the extent that it does not conflict with the provisions set out under the LAD;
- The Privatization Regulations that regulates the process;
- The Transfer Agreement; and
- The Licenses for providing telecommunication services granted to Telecom and the List of Conditions and their respective regulations.
- Law 22,285 and the different Bidding Terms and Conditions for the provision of Subscription Broadcasting Services approved during its term.

On the other hand, the exploitation of physical and/or radioelectric link subscription broadcasting services licenses held by the Company, granted in due time under the regime of Law No. 22,285, are currently governed by the LAD, as from the issue of DNU No. 267/15.

The only service that could be considered under the purview of the LSCA is the registration of the signal METRO, as this signal is marketed to be broadcasted through other services that acquire it for such purpose, and therefore it has a registration number issued by ENACOM that must be renewed on an annual basis.

Likewise, the Company annually renews with the ENACOM its Certificate to operate as Advertising Agency, Direct Advertiser and Advertising Producer.

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Law No. 27,078 Argentine Digital Law

Enacted in December 2014, the LAD maintained the single country-wide license scheme and individual registration of the services to be provided, but replaced the term telecommunications services for ICT Services.

The LAD incorporated several modifications to the regulatory framework in force as of December 19, 2014, as regards telecommunications, among those that stand out:

- the rule on prices and rates establishing that the licensees of ICT Services shall set their prices which shall have to be fair and reasonable, cover the exploitation costs and tend to the efficient supply and reasonable operation margin.
- the amendments as regards Universal Service.
- the declaration of public interest the development of ICT and its associated resources in order to establish and ensure complete neutrality of networks and to guarantee every user the right to access, use, send, receive or offer any content, application, service or protocol through Internet without any restrictions, discrimination, distinction, blocking, interference, obstruction or degradation.
- the possibility that the licensees of the ICT Services can supply audiovisual communication services (including the licensees included in the restrictions of the LSCA, among which was Telecom), with the exception of those provided through satellite link, in which case, the corresponding license must be requested from the proper authority.

Law No. 19,798 Telecommunications Act (passed in 1972), as amended, continues in effect only with respect to those provisions that do not contradict the provisions of the new LAD (including, for example, Section 39 of Law No. 19,798 referred to exemption from all taxes on the use of soil, subsoil and airspace for telecommunications services).

The LAD also revoked Decree No. 764/00, as amended, but provisions of the Decree that do not contradict the LAD will remain in effect during the time it takes to the regulatory authority to issue new licensing, interconnection services, universal service and spectrum regulations (see New Regulations in Note 2.f to our Consolidated Financial Statements).

Decree No. 267/15 Amendments to the LAD

On January 4, 2016, Decree No. 267/15 was issued, amending Law No. 26,522 (Audiovisual Communication Services) and Law No. 27,078 (LAD). As mentioned above, ENACOM was created as the regulatory authority applicable of these laws.

The main amendments to the LAD consist of:

- The incorporation of Broadcasting Services provided by subscription (physical or radioelectric link, such as Cable TV) as an ICT service within the scope of the LAD, and excluding it from Law No. 26,522. Satellite Television Services will remain within the scope of Law No. 26,522. Furthermore, Decree No. 267/15 states that the ownership of a satellite television license provided by subscription is incompatible with having any other kind of ICT Services license.
- Broadcasting supplied by subscription licenses (such as Cable TV) issued before the application of Decree No. 267/15 will be considered for all purposes as in compliance with LAD upon the respective registration for such service provision. Furthermore, also states a 10 years extension from January 1, 2016, for the use of frequency spectrum to radioelectric link provided by subscription license holders.
- Decree No.267/15 replaced the LAD's Section No. 94, and states that SBT suppliers, fixed telephony license holders within the scope of Decree No.264/98, and mobile telecommunication license holders within the scope of Decree No.1,461/93 are prohibited from providing Broadcasting under subscription services (defined as any form of communication, primarily one-way, for the transmission of signals to be received by a determinable public, either by physical or by radio connection, for example, video cable and IPTV services) until January 1, 2018 (this term can be extended by 1 additional year). Also, replaces Section 95 of the LAD and provides several obligations for fixed telephony licensees granted by Decree No.264/98 and mobile services providers with licenses granted by Decree No.1,461/93, which choose to provide broadcasting under subscription services.
- In addition, shareholders of a 10% or more interest in companies that provide public services may not be holders of a subscription radio record. However, this will not apply in the following cases: (i) non-profit companies to whom the national, provincial or municipal State has granted the license, concession or permission to provide a public service (such as telecommunications cooperatives); (ii) those mentioned in section 94 (including the Company) who will be only able to provide the service after the expiration of the period specified therein.

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Section 28 of Decree No. 267/15 created, in the field of the Ministry of Communications, the Commission for the Elaboration of the Draft Law for the Reform, Updating and Unification of Laws LSCA and LAD. The Commission is responsible for the study of the reform of both laws under the principles set out herein.

Through Resolution No. 1,098-E/16 published on October 31, 2016, the Ministry of Communications extended for 180 days the deadline for the preparation of the draft reform of Laws LSCA and LAD.

Subsequently, through MIDMOD Resolution No. 490/2018, published in the Official Gazette on August 13, 2018, the deadline for the analysis and publication of the ICT Project Law was extended for 90 days.

Finally, the Secretariat of Modernization, which reports to the Chief of the Cabinet of Ministers, issued Resolution RESOL-2018-131-APN-SGM#JGM, whereby it provided for a 1-year extension, counted as from the date of publication, or 90 business days subsequent to the final enactment of the Bill for the Promotion of Deployment of Infrastructure and Competition of Information Technology and Communication Services (ITCS), whichever occurs first, for the review process conducted for the creation and publication of the final bill for the amendment, updating and unification of Laws Nos. 26,522 and 27,078, to be submitted to the National Executive Branch.

Furthermore, the Decree provides that licenses transfers and interest transfers involving the loss of company control must be approved by ENACOM, stating a new procedure provided by section 8 of Decree No. 267/15. That licenses transfers and interest in licensees transfers will be considered ad referendum of ENACOM approval.

Decree No. 267/15 repealed Section 15 and Section 48 (second paragraph) of the LAD. Therefore, the following provisions have no longer effect: (i) the condition of essential and strategic public services of ICT regarding the access to the telecommunications network for the ICT Services license holders; and (ii) the regulatory authority power to regulate tariffs due to public interest reasons.

On April 8, 2016, the Chamber of Representatives voted in favor of the validity of DNU No. 267/15. According to this, it acquired the status of Law.

It should be noted that pursuant to Section 21 of Decree No. 267/15 and until the enactment of a law that will unify the fee regime provided under Laws LSCA and LAD, the physical link and radio-electric link subscription broadcasting services will continue to be subject only to the fee regime provided under LSCA. Therefore, they shall not be subject to the investment contribution or the payment of the Control, Oversight and Verification Fee provided under Sections 22 and 49 of LAD.

Decree No. 1,340/16 - Amendments to DNU No. 267/15

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Decree No. 1,340/16 issued by PEN and published in the Official Gazette on January 2, 2017 provides the rules for achieving a greater convergence of networks and services under competitive conditions, promoting the deployment of next generation networks and the penetration of Broadband Internet access throughout the national territory, in accordance with the provisions of Laws LSCA and LAD. This Decree complements to DNU No. 267/15, which has the status of Law.

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Among the most relevant provisions, it establishes:

- Fixing the 15-year-term, as from the publication of the Decree, as differential condition in the terms provided by section 45 of LAD, for the protection of last-mile fixed of new generation networks for Broadband deployed by ICT licensees for Broadband regarding the regulations of open access to Broadband and infrastructure to be stated, notwithstanding the provisions of section 56 of LAD.
- That the Ministry of Communications or ENACOM, as appropriate, shall establish the rules for the administration, management, and control of the radio spectrum.
- That Operators included in section 94 of the LAD (among them, Telecom Argentina), may register the Broadcasting Service by subscription, by physical or radio connection as of the enforcement of this Decree, setting January 1, 2018 as initial date for the provision of such service in the AMBA (and extended AMBA), and in the cities of Rosario (Santa Fe Province) and Córdoba (Córdoba Province). The Decree also provides that, for the rest of the country, the initial date for the provision of the services of these operators shall be determined by the ENACOM (See Resolution E 5,641 E/ 2017 in Note 2.f) to our Consolidated Financial Statements).
- That ICT s licensees and Satellite Link Subscription Broadcasting licensees, who as of December 29, 2016 simultaneously provided both services, may retain ownership of both types of licenses.
- That for the purposes of the provisions of section 92 of LAD and section 2, paragraph g) of Decree No. 798 issued on June 21, 2016, Ministry of Communications shall ensure the following principles on interconnection matters:
 - a) until the interconnection prices determination systems provided by the National Interconnection Regulation are implemented, averages of regional Latin America prices shall be considered for similar functions and facilities, corrected by parameters which comply with the conditions of the sector, as determined by the authority of application;
 - b) in accordance with section 46 of LAD, the National Interconnection Regulation shall provide asymmetric interconnection rates for mobile services for a 3 years period from the effective service implementation, extendable for a maximum of 18 months; and
 - c) the National Interconnection Regulation shall provide rules concerning the automatic national roaming service, forcing mobile services providers, for a maximum period of 3 years, to make such service available to other providers in areas where they do not have their own network coverage.

The temporary limitation provided in the previous paragraph shall not be enforceable in those cases in which mobile services are provided by cooperatives and small and medium-sized companies with exclusively regional coverage.

Mobile service providers shall freely enter into agreements to secure, among other issues, technical, economic, operational and legal conditions. Such agreements may not be discriminatory or may not establish technical conditions that prevent, delay or obstruct interconnection services.

The National Interconnection Regulation will enable ENACOM to define reference prices for a maximum period of 3 years, taking into consideration the costs of the assets involved (subject to exploitation) and a reasonable return rate to ensure speed, neutrality, non-discrimination and competition between mobile service providers. Likewise, they shall not contain technical, interconnection, operational or other conditions that delay, obstruct or create barriers for the remaining mobile services providers to access the market.

Decree No. 1,060/2017 - Development of mobile communication services networks

This Decree, published in the Official Gazette on December 21, 2017, provides for the facilitation of the development of mobile communication services networks, establishing, among other provisions, that the jurisdictions and agencies comprised in subsections a) and b) of Section 8 of Law No. 24,156 shall ensure TIC services, communication and independent operators of passive infrastructure multiple or shared access, for consideration, to passive infrastructures for the deployment of networks under neutral, unbiased, transparent, fair and non-discriminatory conditions, without the possibility of granting any exclusiveness or preference whatsoever, in fact or in law, provided that such access does not compromise the continuity and security of the services provided by its holder.

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The Decree also provides that:

1) The Ministry of Modernization:

- a. shall issue comprehensive general rules with supplementary regulations for infrastructure sharing;
- b. shall develop, within a term of 180 days, a multi-year spectrum plan in order to maximize and increase the radioelectric resources for the deployment of next-generation mobile networks and SCM in order to support traffic growth and improve service quality;
- c. shall issue supplementary or clarifying regulations relating to Section 29 of LAD, establishing efficient procedures and avoiding distortions in competition; and
- d. shall identify radioelectric spectrum frequency bands for the development of new services and wireless applications and issue regulations allowing for their shared and unauthorized use.

2) The frequencies that are allocated and authorized to SRCE may only be used to provide those services. The ENACOM may allocate frequencies to provide SCM and demand the return of the frequencies and migration of services pursuant to Section 28 and 30 of LAD, and its regulations, or, at the request of the interested party, apply Section 4, subsection b) of Decree No. 1,340 dated December 30, 2016, and its regulations, establishing an economic compensation in favor of the National Government.

3) SBT licensees may provide this service through the use of radioelectric spectrum frequencies using those allocated for the provision of 4G mobile services, notwithstanding the provision of fixed telephone service pursuant to Section 2, subsection a) of the PCS General Rules approved as an annex to Section 1 of Decree No. 266 dated March 10, 1998, through the execution of agreements with the licensees of those frequencies, which shall be reported to the ENACOM.

4) Delegate on the Ministry of Modernization the power to issue the penalty rules provided under Section 63 of LAD, which shall repeal the current rules approved under Decree No. 1,185 dated June 22, 1990, as amended and supplemented.

Universal Service Regulation

- ***Decree No. 764/00***

With respect to Universal Service Regulation, Annex III of Decree No. 764/00 required entities that receive revenues from telecommunications services to contribute 1% of these accrued revenues (net of taxes) to the Universal Service Fiduciary Fund (the SU Fund). The regulation

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adopted a pay or play mechanism for compliance with the mandatory contribution to the SU Fund. The regulation also established the exemption to contribute to the FSU in the following events: (i) for local services provided in areas with teledensity lower than 15%, and ii) when certain conditions exists in connection with a formula which combines the foregone revenues and the market share of other operators than Telecom Argentina and Telefónica who provide local telephony. Additionally, the regulation created a committee responsible for the administration of the SU Fund and the development of specific SU programs.

The SC issued Resolution No. 80/07 which stipulated that until the SU Fund was effectively implemented, telecommunication service providers must open an account at Banco de la Nación Argentina to deposit monthly the corresponding amounts. In August 2007, Resolution No. 2,713 of the former CNC was published, which provided details regarding the concepts that have been achieved and those that are deductible for the purpose of calculating the contribution obligation to the FFSU.

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- ***Decree No. 558/08***

Decree No. 558/08, published on April 4, 2008, introduced certain changes to the SU Fund regime, replacing the Annex III of the 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.

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

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

On November 11, 2010, the SC issued Resolution No. 154/10 adopted the methodology for the deposit of the SU contributions to the trustee's escrow account. The Resolution included 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 provided that until the SC determined the existence of programs, the amounts that would correspond to their implementation would be discounted by the telecommunication providers when determining their contribution to the SU Fund. If completed the verification from the SC there were unrecognized amounts, they should be contributed into the SU Fund or for the development of new works of the SU, with the approval of the SC.

- ***Amendments of the LAD to the SU Regulation***

The LAD introduced substantial modifications to the regulations of the SU issued by Decree No. 558/08. Among its provisions, the LAD provides for the creation of a new FFSU and that the investment contributions corresponding to the SU programs are managed through such fund, whose patrimony is the National State.

The licensees of ICT Services are obliged to make investment contributions to the SU Fund equivalent to one per cent (1%) of the total accrued revenues for the provision of the ICT Services included in the scope of application of the law, net of imposed taxes and charges. The investment contribution shall not be transferred to the users whatsoever. In turn, the regulatory authority may dispose, once the SU objectives are reached, the total or partial, permanent or temporary exemption, of the obligation to perform said investment contributions.

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This law also establishes that by virtue of that set forth by Sections 11.1 and 11.2 of the Management Trust Agreement of the SU Fund of Decree No. 558/08, the resources therein foreseen in section 8 of Annex III of Decree No. 764/00 and its amendments shall be integrated to the SU Fund created by the LAD in the conditions determined by the regulatory authority.

The SU Funds shall be applied by means of specific programs defined by the regulatory authority who may entrust the execution of these plans directly to the entities included in Section 8, paragraph b), of Law No. 24,156, or, complying with the selection mechanisms that may correspond, respecting publication and competition principles, to other entities.

On September 10, 2015 Telecom Argentina and Personal filed before the AFTIC their respective SU contribution affidavits corresponding to the revenues recorded in July 2015, clarifying that these presentations were made with the understanding that the operational rules related to the SU Fund contribution, regulated by Decree No. 558/08 and related provisions, are in force. Additionally, Personal proceeded to deposit the corresponding contribution in the new SU Fund account reported through the Official Notice published by the AFTIC.

In its filings, Telecom Argentina and Personal had stated that the filing of the affidavits and, in the case of Personal, the deposit did not imply explicit or implicit consent of the regulations issued by the LAD and expressly reserved their rights in relation to the unconstitutionality of the provisions set forth in Sections 21, 22, 91 and related provisions of said law, as well as the claim of any rights arising from the acknowledgement of this argument.

As of the date of issuance of this Annual Report, the Company has not received any response to its filings.

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ENACOM Resolution No. 2,642/16 approved the new SU Regulation, which was published on May 31, 2016, in the context of the new disposals established by the LAD.

The new regulation retains the obligation of contributing 1% of total income related to the provision of ICT services net of taxes and fees, anticipating the possibility of granting exemptions, in which case the subjects liable for payment, must comply with the obligations established by the Regulatory Authority.

In accordance with ENACOM Resolution No. 6,981-E/16 issued on October 19, 2016, the FFSU and the FFSU Investment Contribution Settlement and Interest Report forms were approved and are in force since January 1, 2017, being operationally implemented since March 2017.

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

- ***SU Fund in Telecom Argentina in relation to its original license for the provision of the SBT***

Several years after the market's liberalization and the effectiveness of the SU regulations subsequently replaced by Decree No. 558/08 and by the LAD, incumbent operators have not received any set-offs for providing services as required by the SU regime.

As of the date of issuance of this Annual Report and in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713/07, the Company has filed its monthly calculations since July 2007 which estimated a receivable of \$3,998 million (unaudited) being both the programs and the valuation methodology that originates this receivable, pending approval by the Regulatory Authority. This receivable has not yet been recorded as of December 31, 2018 since it is subject to the approval of the SU programs, the review of the Regulatory Authority and the availability of funds in the SU Trust as to compensate the incumbent operators.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom Argentina that investments associated with High-Cost Areas amounting to approximately \$3,849 million since July 2007 to date and which are included in the abovementioned receivable - did not qualify as an Initial Indicative Program. Telecom Argentina filed a claim on this resolution.

Telecom Argentina was notified of SC Resolutions No. 53, 54, 59, 60, 61, 62, 69 and 70/12, 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 argentin@internet.todos, the Services for Deaf-Mute People, the Free Access to Special Emergency Services and Special Community Services, the Value Added Service 0611 and 0612 and the Long Distance Semipublic Service, respectively, did not qualify as an Initial Indicative Program, pursuant to the terms of Section 26 of Annex III of Decree No. 764/00, and that, they did not constitute different services involving a SU provision, and therefore they

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cannot be financed with SU Funds, pursuant to the terms of Section 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 \$1,194 million and are included in the credit balance mentioned in the second paragraph.

As of the date of issuance of this Annual Report the resolution of this appeal is still pending.

On September 13, 2012, the CNC required Telecom Argentina to deposit approximately \$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.

Although it cannot be assured that these issues will be favorably resolved at the administrative stage, Telecom Argentina's Management, with the assistance of its legal advisors, considers that it has strong legal and de facto arguments to support the position of Telecom Argentina.

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- ***SU Fund in Telecom Argentina in relation to the SCM originated in Personal***

Since January 2001, Personal has recorded 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 \$112 million into an account held under their name at the Banco de la Nación Argentina in January 2011.

On January 26, 2011, the SC issued Resolution No. 9/11 establishing the Infrastructure and Facilities Program. The Resolution provided that telecommunication service providers could contribute to investment projects under this program, exclusively the amounts corresponding to their pending obligations of investment contributions born under Annex III of Decree No. 764/00, before the effective date of Decree No. 558/08.

On July 5, 2012, the SC issued Resolution No. 50/12 pursuant to which it notified that the services referred to by the SCM 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, did not constitute items that may be discounted from the amount of contributions to the SU pursuant to the last part of Section 3, of Resolution No. 80/07, or Section 2 of Decree No. 558/08. It also provided that certain amounts already deducted would 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 issuance of this Annual Report, this matter is still pending.

On October 1, 2012, responding to an SC's requirement, Personal deposited under protest approximately \$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 is paying under protest of those concepts in their monthly affidavits.

It cannot be assured that this issue would be favorably resolved in the administrative stage, or, later at a judicial stage.

- ***FFSU SU Fund in Telecom Argentina in relation to the services originated in Cablevisión***

Cablevisión was not able to meet its contribution obligations during the period in which its license was revoked, but made the corresponding payment as soon as the revocation was declared null and void, for which no amount is owed by it on such account.

The Regulatory Authority has yet to decide on the approval of the Project submitted by Cablevisión on June 21, 2011, within the framework of SC Resolution No. 9/11, in order to meet the contribution obligation to the SU for the amounts accrued between January 2001 and the effective date of Decree No. 558/08.

NEW GENERAL RULES

- **New General Rules Governing ICT Services Licenses**

On January 2, 2018, the Ministry of Modernization issued Resolution No. 697/2017, whereby it approved the new General Rules Governing ICT Services Licenses. This Resolution repealed the General Rules approved through Annex I of Decree No. 764/2000, as from the date it became effective (February 1, 2018), and it also repealed ENACOM Resolutions No. 2,483/2016 and No. 1,394/2016 (except for Section 12 of its Annex I, which will remain in effect). The Company has made presentations appealing to some aspects of this Resolution, appeal which, to date, is still pending resolution.

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- **New General Rules Governing ICT Services Customers**

On January 4, 2018, the Ministry of Modernization issued Resolution No. 733/2017, whereby it approved the new General Rules Governing ICT Services Customers. This Resolution became effective on March 5, 2018, repealing SC Resolutions No.490/1997, and Annexes I and III of SC Resolution No. 10,059/1999 and its supplementing regulations. Annex II of SC Resolution No. 10,059/1999 shall remain in effect, as applicable, until the enactment of the penalty regime provided under Section 63 of LAD. Such New General Rules repeal the current general rules governing mobile and basic telephony services customers, thus becoming the only general rules that govern ICT services customers, including Internet access services and subscription broadcasting services.

The Company has made a presentation to the Ministry of Modernization in relation to some disposals that affect their rights in the marketing of services under their responsibility (such as the 180-day period during which prepaid credit can be used, Section 56, which provides for compensation in favor of the customer, and Section 79, which establishes the obligation to replace any channels eliminated from the programming grid with other channels of similar quality).

MINMOD Resolution No. 363/2018, published in the Official Gazette on June 27, 2018, provided for amendments to the General Rules. Some of those amendments were related to the provisions challenged by Telecom in its filing. As of the date of this Annual Report, the appeal filed by the Company is pending resolution.

- **Number Portability Regulation**

On April 4, 2018, the Ministry of Modernization issued Resolution No. 203/2018, whereby it approved the new General Rules Governing Number Portability, including fix telephony services, and approves the schedule of implementation of such services. This Resolution repeals Resolutions N° SC 98/2010, SC 67/2011 y SC 21/2013 and Resolution MINCOM E 170/2017, and its supplementing regulations. Through Resolution No. 401/2018, published on July 11, 2018, the Ministry of Modernization decided to extend for ninety (90) business days the term for the implementation of Stage 1 provided under the implementation schedule for fixed telephony service number portability. Said Resolution also provided that the ENACOM shall determine the way in which the Committee on Number Portability will be constituted and implemented.

Through Resolution No. 4,950/18 of August 14, 2018, the Board of the ENACOM decided to delegate to the owner of the first operational level of the National Directorate of Planning and Convergence of that Agency, the powers to: (i) approve the Processes and Technical and Operational Specifications of the Number Portability, (ii) approve the specification model for the selection of the Administrator of the Contract Database to be held between the Portable Service Providers and the Database Administrator and propose the modifications pertinent to the Committee on Number Portability, (iii) intervene with binding character in the procedure of contracting the Administrator of the Database.

This Resolution also provided that the Committee on Number Portability shall be composed of two representatives, a holder and an alternate, and approved the work schedule in order to carry out the correct implementation of the Number Portability.

- **Regulations Regarding New Interconnections and Accesses**

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On May 18, 2018, the Resolution No. 286/18 of the Ministry of Modernization was published in the Official Gazette, approving the new interconnection and access regulations, effective as of July 3, 2018, repealing the one approved by Decree 764/00.

According to the new Regulation, the terms, conditions and prices of Interconnection and Access may be freely set by the parties. These agreements cannot be discriminatory or set technical conditions that prevent, delay or hinder interconnection. Notwithstanding the foregoing, within 60 working days from the effective date, ENACOM will set provisional interconnection charges, in accordance with the provisions of Decree 1,340/16.

In addition, ICT service providers will be obliged to provide interconnection at the request of another ICT service provider, under technical and economic conditions no less favorable than those granted to themselves or to third parties. Also, the same quality of services as the one provided must be guaranteed.

Transparency in compensation must be guaranteed and ICT Providers of Services must not pay for functions or services that they do not need for the provision of their services.

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Finally, the following are considered Essential Facilities: a) Origination or Local Termination; b) Co-location; c) Local Transit Service; d) Port; e) Signaling Function; f) Loop and Local Customer Sub-loop; g) the Transportation Service (LD), when there is no substitute offer for contracting; and h) any other function or network element that the authority determines as such, ex officio or at the request of a party. These facilities must be provided separately and respecting the charges that the authority establishes. For this purpose, ENACOM will establish reference values, which will function as maximum values, and lower values, which may be agreed between the parties.

From the entry into force of the regulation, on July 4, 2018, Telecom had a period of 90 business days to present the Reference Offer to ENACOM, presentation that was duly made.

On August 14, 2018, ENACOM issued Resolution No. 4,952/18, establishing a provisional charge equivalent to US\$0.0108 per minute of communication, without considering the different taxes and charges that may be applicable for the origination services or local termination in the mobile communications service networks. Likewise, it is established that for the purposes of applying the fixed charge, the unit of measurement will be the second. Through Resolution No. 1,161/2018 dated November 27, 2018, the ENACOM set the same charge for SRCE network termination.

On November 27, 2018, Resolution No. 1,160/2018 was published in the Official Gazette, whereby the ENACOM set: (i) a provisional charge equivalent to forty-five ten-thousandths US dollars (US\$ 0.0045) for local origination or termination services over fixed telephony service networks per minute of communication (ii) a provisional charge equivalent to ten ten-thousandths US dollars (US\$ 0,0010) for local transit service per minute of communication (iii) a provisional charge equivalent to twenty-seven ten-thousandths US dollars (US\$ 0,0027) for long distance transport service per minute of communication (iv) the second as the measuring unit for the purposes of applying the charges set under this Resolution.

Telecom filed an appeal with the ENACOM challenging those charges with the respective legal grounds to request the review of the above-mentioned Resolution by that agency.

As of the date of issuance of this Annual Report, such appeal is still pending resolution.

- **Quality Rules for Information Technology and Communication Services.**

Through Resolution No. 580/2018, published in the Official Gazette on September 6, 2018, the Ministry of Modernization approved the Quality Rules for Information Technology and Communication Services, which came into force on January 4, 2019.

This Resolution repeals Resolution No. 5/2013 issued by the former Argentine Secretariat of Communications and Resolution No. 3,797/2013 issued by the former CNC. In addition, the Ministry of Modernization ordered the ENACOM to issue the implementing regulations within a term of 90 calendar days, which as of the date of this Annual Report are still pending of resolution.

As of the date of this Annual Report, the Company is still analyzing the impact of the new rules on its operations.

- **National Rules for Contingencies.**

Through Resolution No. 51/2018, published in the Official Gazette on November 6, 2018, the Secretariat of Modernization approved the National Rules for Contingencies and ordered the ENACOM to issue the implementing procedures or Contingency Plan within a term of 90 calendar days as from its publication in the Official Gazette.

As of the date of this Annual Report, the ENACOM has not issued said procedures yet.

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- **Single Desk System.**

Through Decree No. 997/2018, published on November 6, 2018, the Secretariat of Modernization established a single desk system for the installation of antenna support structures of any kind for rendering SCMA services in order to expedite the granting of authorizations and permits for the construction and installation of structures for the deployment of mobile services.

- **Implementation of the Online Proceedings (TAD, for its Spanish acronym) Platform for notices issued by the ENACOM.**

Through Resolution No. 4,703/2018, published on July 24, 2018, the ENACOM provided for the use of the TAD Platform for requests and notices. In view of the legal and operating implications of this implementation, on August 8, 2018, Telecom filed with the ENACOM an appeal against said resolution, which, to date, is still pending resolution.

CONSULTATION DOCUMENT UNDER THE PROCEDURE FOR THE GENERAL RULES GOVERNING PUBLIC HEARINGS AND CONSULTATION DOCUMENTS FOR COMMUNICATIONS AND THE GENERAL RULES FOR THE PARTICIPATORY DEVELOPMENT OF RULES

- **Procedure for the Public Consultation on Allocation of Shared-Use Frequency Bands**

Through Resolution No. 2/2018, the SETIC ordered the beginning of the procedure provided under Article 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, with respect to the document Public Consultation on Allocation of Shared-Use Frequency Bands.

Telecom submitted its opinions and observations about the Document under consultation on January 10, 2019.

- **Public consultation procedure on Infrastructure Sharing**

Through Resolution of the Secretariat of Information and Communication Technologies (SETIC) No. 18/2018 of August 24, 2018, it was declared the opening of the procedure provided for in Article 44 and following of the General Rules of Public Hearings and Consultation Documents for Communications, regarding the document Public Consultation on Infrastructure Sharing . On October 8, 2018, Telecom presented its opinions and observations on the document in consultation.

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On January 29, 2019, Resolution-2019-3-APN-STIYC # JGM is published in the Official Gazette, which establishes the opening of the procedure settled in Article No. 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, The Regulation of Infrastructure Sharing . As of the date of issuance of these consolidated financial statements, the Company is analyzing the document in order to present pertinent opinions and observations.

As of the date of this Annual Report, the Company is analyzing the document in order to present the pertinent opinions and observations.

- **Procedure for the Public Consultation on Update of the Main Signaling Plan.**

Through Resolution No. 2/2018, the SETIC ordered the beginning of the procedure provided under Article 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, with respect to the document Public Consultation on Update of the Main Signaling Plan.

On January 10, 2019, Telecom submitted its opinions and observations about the Document under consultation.

- **Procedure for Public Consultation on the Most Beneficial Conditions for Network Access and Use**

Through Resolution No. 4/2018, published in the Official Gazette on December 18, 2018, the Secretariat of Modernization ordered the beginning of the procedure provided under Article 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, with respect to the document Public Consultation on the Most Beneficial Conditions for Network Access and Use.

The Company submitted its opinions and observations about the Document under consultation.

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- **Implementation of the Rules for the Registration of SCM Customers.**

On December 2, 2016, the ENACOM published Resolution No. 8,507 - E/2016, whereby it approved the Rules for the Registration and Validation of the Identity of the Account Holder Users of Mobile Communication Services.

Through Resolution No. 466/2018, published in the Official Gazette on October 19, 2018, the ENACOM extended until October 31, 2018 the term for the registration and validation of all the preexisting prepaid customers.

The Company has conducted all the necessary actions and implementations required to fulfill the guidelines for the registration of its customers, as ordered by said regulations.

ENACOM Resolution No. 5,641-E/17

Through this Resolution, published on December 22, 2017, the ENACOM decided:

- To extend until January 1, 2019 the term for the Licensees referred to in Section 94 of Law No. 27,078 to start providing subscription broadcasting services by means of physical or radio-electric link in those locations in Argentina that do not fall within the scope of the second paragraph of Section 5 of Decree No. 1,340/16, which have less than 80,000 inhabitants. To extend until January 1, 2019 the term for the Licensees referred to in Section 94 of LAD to start providing subscription broadcasting services by means of physical or radio-electric link in those locations in Argentina that do not fall within the scope of the second paragraph of Section 5 of Decree No. 1,340/16, which have more than 80,000 inhabitants and where those services are rendered only by Cooperatives and Small-and-Medium Sized Companies.
- To provide that in all those locations in Argentina that do not fall within the scope of the second paragraph of Section 5 of Decree No. 1,340/16, whatever the size of their population, where the Subscription Broadcasting Service by means of physical or radio-electric link is rendered by, at least, a licensee that has more than 700,000 subscribers nationwide, the Licensees mentioned in Section 94 of LAD may start providing services as from January 1, 2018.
- The Licensees mentioned in Section 94 of LAD (among them, Telecom) that are authorized to provide Subscription Broadcasting Service by means of physical or radio-electric link may not make an integrated offering to provide said service with the rest of the services that they are currently providing in those locations until January 1, 2019.

- To provide that in those locations in Argentina where subscription broadcasting services by means of physical or radio-electric link are not provided, the Licensees mentioned in Section 94 of LAD may, as from January 1, 2018, request authorization to provide services in the respective coverage areas, subject to an evaluation by the ENACOM.

GRID OF SIGNALS OF physical and/or radioelectric link BROADCASTING SERVICES

The General Rules approved by Resolution ENACOM No. 1,394/16 order providers of both types of services (physical and radio-electric link) to guarantee their compliance with a programming grid in each Coverage Area.

Later, by means of Resolution No. 5,160/2017, the ENACOM provided that the inclusion of broadcast television signals within the coverage area by the holders of a physical or radioelectric link subscription television registry will be subject to the conditions agreed upon with the holder of the broadcast television service and its retransmission will be mandatory only if they are delivered by its holders free of charge. In addition, the Resolution sets forth that the retransmission of cable news signals will only be mandatory for 24-hour news signals provided that they broadcast live programming during 12 of those 24 hours.

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REGULATORY MATTERS IN URUGUAY

- **Migration of services**

Adesol S.A. is a subsidiary of the Company organized in the Oriental Republic of Uruguay, which is contractually related to Bersabel S.A. and Satelital Visión S.A., two licensees that provide subscription television services in such country and are subject to the control of the Communication Services Regulatory Unit (URSEC).

On January 11, 2018, Decree No. 387/017 dated December 28, 2017 was published in the Official Gazette. The Decree provides that all the subscription TV services provided through the Codified UHF system shall be migrated to the TDH Satellite system without it entailing any changes to the original authorizations to operate or in the rest of the conditions established in the respective licenses. Such authorizations shall not undergo any changes in the authorized service areas for 18 months.

On February 9, 2018, Bersabel S.A. and Visión Satelital S.A., two of the licensees contractually linked to Adesol who use UHF systems coded for the provision of their services, submitted to the URSEC the migration plan relating to their subscribers. In view of the foregoing, as well as the contractual relationship that binds Adesol to the provision of said services, the Company's subsidiary is, at the closing date of this Annual Report, executing the technical plan for migration presented.

- **Audiovisual Communications Law of Uruguay**

On January 14, 2015, Law No. 19,307 was published in the Official Gazette of the Republic of Uruguay, which regulates the provision of radio, television, and other audiovisual communication services (hereinafter, the Audiovisual Communications Law). Section 202 of such law provides that the Executive Branch shall issue the implementing regulations for this law within a 120-day term as from the day following the publication of this law in the Official Gazette. As of the date of this Annual Report, only Decree No. 45/015 has been issued, and the implementing regulations for most of the sections of this law are still pending. Such Decree provides that the concession for the use and allocation of the radio-electric spectrum for non-satellite audiovisual communication services shall be granted for a term of 15 years.

Section 54 of the Audiovisual Communications Law sets forth that an individual or legal entity cannot be allocated the full or partial ownership of more than six authorizations or licenses to provide television services to subscribers in the national territory of the Oriental Republic of Uruguay, which limit is reduced to three if one of the authorizations or licenses includes the district of Montevideo. Section 189 of this law sets forth that should such limits be exceeded as of the coming into force of the Law, the owners of those audiovisual communication services shall have to transfer the necessary authorizations or licenses so as not to exceed such limits within a term of 4 years as from the coming into effect of the Audiovisual Communications Law.

The subsidiary Adesol is analyzing the possible impact on its business that could be derived from the change in the regulatory framework and the eventual legal actions it may bring to safeguard its rights and those of its shareholders. That company is also monitoring the different unconstitutionality claims filed by other companies against certain sections of the above-mentioned law to consider if the decisions to be issued by the Supreme Court of Uruguay in those proceedings may be favorable to the position of Adesol in the future. As of April 7, 2016, 28

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unconstitutionality claims had been brought against the above-mentioned law. As of the date of this Annual Report, the Supreme Court of Uruguay has issued 28 decisions, whereby it declared the unconstitutionality of Section 39 subsection 3, Section 55, Section 56 subsection 1, Section 60 paragraph C, Section 98 subsection 2, Section 117 subsection 2, Section 143 and Section 149 subsection 2 of Law No. 19,307. It should be noted that in some of these judgments the Supreme Court dismissed the unconstitutionality claim filed by the claimant with respect to Section 54 of that Law.

ENACOM RESOLUTIONS NO. 840/18, NO. 1,196/18 AND NO. 4,353/18 NEW REGIME FOR RADIOELECTRIC SPECTRUM FEES

On February 27, 2018, Resolutions Nos. 840/18 and No. 1,196/18 were published in the Official Gazette. Through these Resolutions, the ENACOM updated the value of the Radioelectric Spectrum Fee per Unit and, in addition, it established a new regime for mobile communications services, which substantially increases the amounts to be paid in this regard.

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In accordance with the provisions of Resolution 4,353/18, published in the Official Gazette on May 24, 2018, the new Regime for Radio-electric Rights and Tariffs will not have an impact until August 31, 2018. This Resolution suspends the effects of Resolutions No. 840/18 and No. 1,196/18, from its publication until August 31, 2018. During this period, the Radioelectric Rights corresponding to the Mobile Communications Services (SRMC, STM, PCS and SCMA) that are accrued will be paid in accordance with the regime prior to the one established by Resolutions No. 840/18 and No. 1,196/18. The affidavits corresponding to the Mobile Communications Services (SRMC, STM, PCS and SCMA), which expire in the months of April and May 2018, that had not been prepared in accordance with the provisions of Resolution ENACOM No. 840/2018, must be submitted rectified and pay the resulting differences on October 10, 2018.

As of the date of issuance of this Annual Report Telecom has submitted the rectifying affidavits corresponding to the months of March and April 2018 (due in April and May), and has paid (under protest) the respective amounts. It also started to comply with, as from September 2018, the filing and payment (under protest) of the corresponding affidavits.

BUY ARGENTINE ACT

According to the provisions of Article 1 of Law No. 27,437, which is regulated by Decree No.800/2018 and Resolution No. 91/2018 of the Secretariat of Industry, Telecom Argentina - as a public fixed telephone service licensee - and their respective direct subcontractors, in the procurement of provisions and public works and services shall give preference to the purchase or lease domestic goods and services.

Article 2 of the mentioned law provides that the preference established in Article 1 to domestic goods or services will apply when, for identical or similar goods or services, under cash payment terms, the price is equal to or lower than the price of imported goods or services, increased by 15% when the offering of the good or services is carried out by companies qualified as Micro and SME, and 8% when the offering of the good or services is carried out by other companies. For comparison purposes, the price of imported goods shall include current import duties and taxes and all expenses required for its nationalization.

On the other hand, in the event of comparing prices between offers that are not of national origin, or if there are national offers, if they have been declared underestimated or ineligible, a margin of preference of one percent (1%) every 5 (five) percentage points of local integration on the gross value of production of the goods reached will be granted, up to a maximum margin of preference of eight percent (8%), according to the calculation criteria of Article 3 of Resolution No. 91/2018 of the Secretariat of Industry.

Article 5 of the mentioned law establishes that a good is of national origin when it has been produced or extracted in Argentina, provided that the cost of imported raw materials, inputs or imported materials does not exceed forty percent (40%) of its gross value of production.

The aforementioned law establishes that the contracting parties must announce the publication of the future contract whose amount is within the range of \$1,300,000 and \$5,000,000, which must be disseminated on the the National Contracting Office (NCO) website with an advance not less than 5 (five) business days from the deadline for receipt of bids for the contract and when the amount exceeds \$5,000,000 they must be published in the Official Gazette and the NCO for a period of 2 business days with a minimum of 20 (twenty) days in advance of the deadline for receiving offers, computed from the day following the last publication (Article No. 19 of Decree No. 800/2018 and Article No. 10 of the Secretariat of Industry Resolution No. 91/2018), so as to provide all possible bidders timely access to information that enables them to participate in the mentioned tender.

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Relating to services acquisitions, Law No. 18,875 applies, which provides the obligation to hire only companies, consultants and domestic professionals, as defined in the mentioned Law. Any exceptions must be approved by the competent Ministry.

Additionally, Resolution No. 2,350/04 of the former CNC, approves the Procedure for the accomplishment of the Buy Argentine Act , which includes the obligation to submit semiannual affidavits related to the compliance with the Act.

The regulatory body establishes economic, administrative and criminal sanctions for the alleged breach of the obligations of Buy Argentine Act.

It is worth mentioning that this Act provides to Telecom Argentina less operational flexibility related to, among other matters, authorizations management prior to acquisitions, investment of time in the assembly of the required presentations with respect to the obligation to inform the semiannual affidavits of compliance of the Buy Argentine Act and associated administrative expenses.

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LEGAL FRAMEWORK

Law No. 27,260 of Historical Reparation for Retirees and Pensioners Reparación Histórica para Jubilados y Pensionados

On July 22, 2016, Law No. 27,260 of Historical Reparation for Retirees and Pensioners, was published in the Official Gazette abolishing Law No. 27,181 on Declaration of public interest of the protection of the social participations of the National State that make up the investment portfolio of the Sustainability Guarantee Fund of the Argentine Pension Integrated System . In addition, Section 30 of Law No. 27,260 provides that the transfer of shares of public corporations authorized by the CNV that are part of the FGS is banned without a previous and express authorization of the Federal Congress if, as a result of such transfer, the FGS's holding of the above referred securities becomes less than 7% of the aggregate assets of the FGS. The following exceptions apply: 1. Tender offers addressed to all holders of such assets at a fair price authorized by the CNV, pursuant to the terms of Chapters II, III and IV of Title III of Law No. 26,831. 2. Swaps of shares for other shares of the same or another corporation as a result of a merger, split or other corporate reorganization.

Decree No. 894/16: corporate, political, and economic rights in charge of the ANSES

On July 28, 2016, Decree No. 894/2016 was published in the Official Gazette, providing that in those corporations whose shares are part of the Sustainability Guarantee Fund of the Argentine Pension Integrated System portfolio, the corporate, political and economic rights corresponding to such shares shall not be exercised by the Secretary of Economic Politics and Development Planning, but shall instead be exercised by the Federal Management of Social Security (ANSES).

In addition, Decree No. 894/2016 provides that the Directors appointed by ANSES shall have the functions, duties and powers provided in the GCL, the Capital Market Law No. 26,831 and their complementary regulations, all other rules applicable to corporations in which they act as directors, and their bylaws and internal regulations, and that they shall be exposed to all the liabilities applicable under such rules, not being subject to the provisions of Decree No. 1,278/2012 and No.196/2015 (the latter in connection with its delimitation of responsibility).

Modification of Income Tax on dividend payment

On December 27, 2017, the Argentine Congress approved a tax reform that came into force on December 29, 2017 as Law No. 27,430 (the Tax Reform), generally effective January 1, 2018. The reform is intended to eliminate certain inefficiencies in the Argentine tax regime, diminish tax evasion, broaden income taxes to cover more individuals and encourage investment, with the long-term goal of restoring fiscal balance. The reform is part of a larger program announced by current administration, intended to increase employment, make the Argentine economy more competitive (by reducing the fiscal deficit, for example) and sustainably diminish poverty.

The main aspects of the Tax Reform include: (i) capital gains realized by individuals that are Argentine tax residents on sales of real estate (subject to certain exceptions, including a primary residence exemption) acquired after the enactment of the bill will be subject to tax at the rate of 15%, calculated on the acquisition cost restated in terms of the current currency; (ii) income obtained from currently exempt bank deposits and sales of securities (including government securities) by individuals that are Argentine tax residents will be subject to tax at the rate of (a) 5% in the case of those denominated in pesos, subject to fixed interest rate and not indexed, and (b) 15% for those denominated in a foreign currency or indexed; income obtained from the sales of shares made on an Argentine stock exchange will remain exempt, subject to compliance with certain requirements; (iii) corporate income tax will initially decline to 30% in 2019 and 2020 and to 25% starting in 2021; (iv) social security contributions will be gradually increased to 19.5% starting in 2022, in lieu of the differential scales currently in effect; and (v) the percentage of tax debits and credits that can be credited towards income tax will be gradually increased over a five year period, from the current 17% for credits to 100% for credits and debits.

Additionally, the Law repeals the equalization tax (i.e., 35% withholding applicable to dividends distributed in excess of the accumulated taxable income) on income accrued from January 1, 2018 and onwards.

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Modification to Law No. 24,240 Consumer Protection

On August 17, 2016, Law No. 27,265 was published in the Official Gazette (in force as from August 29, 2016) that incorporates an amendment to Law No. 24,240 of Consumer Protection. This addition (in section 10 quater) establishes the prohibition of collections of advance notice, advance month payment and/or any other concept on the part of the providers of services, including the public utilities, upon the consumer's request for cancellation of the service in any way, either in person, on the telephone, electronic or similar-shaped. In this sense, as from the last quarter of 2016, the Company abides by this regulation in cases where applicable.

Corporate Criminal Liability for Corruption Crimes

On December 1, 2017, the National Government published in the Official Gazette Law No. 27,401, whereby it establishes the Corporate Criminal Liability Regime for Crimes against Public Administration and International Bribery. The Law came into force on March 1, 2018.

The regime established under the Law applies to private legal entities, of national or foreign capital, with or without state participation, for the following crimes: (i) National and international bribery and influence peddling; (ii) Negotiations that are incompatible with public office; (iii) Illegal payments made to public officials under the guise of taxes or fees owed to the relevant government agency (concusión); (iv) Illicit enrichment by public officials and employees; and (v) Aggravated falsification of balance sheets and reports to conceal national and international bribery and influence peddling.

Legal entities are liable when these crimes are committed, directly or indirectly, with their involvement or in their name, interest or benefit. They are also liable when the third party acting in the benefit or interest of the entity did not have any powers to act on their behalf, provided the legal entity subsequently ratifies those acts.

The Law provides for successor liability, establishing that in those cases where a legal entity which is liable under this regime becomes involved in a transformation, merger, merger by acquisition, spin-off or any other corporate restructuring, said liability is transferred to the resulting or absorbing legal entity, therefore, the resulting or absorbing entity is criminally liable.

Legal entities are exempted from liability if the individual who committed the crime acted exclusively in his/her own benefit and without any benefit for the entity.

The Law also sets out that legal entities may be convicted even if it is not possible to identify or prosecute the individual involved in the crime, provided that the circumstances of the case establish that the crime could not have been committed without acquiescence of the authorities of the legal entity.

The penalties applicable to legal entities are varied. Fines applicable to legal entities range from 2 to 5 times the undue benefit that was obtained or that could have been obtained through the actions carried out in violation of the Law. Other penalties may also be imposed on legal entities,

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namely: (i) full or partial suspension of activities for up to 10 years; (ii) debarment from participating in government bids and tenders for public works or services, or in any activity related to the Government, for up to 10 years; (iii) dissolution and liquidation of the legal entity -if it had been established for the sole purpose of committing crimes, or if those acts are the legal entity's core business-; (iv) loss or suspension of granted government benefits; (v) publication of an extract of the condemnatory sentence; (vi) forfeiture of goods or proceeds that are the result or profit of the crime.

There are certain elements that the judges may take into account to adjust the penalties, namely: (i) failure to comply with internal rules and procedures; (ii) number and hierarchy of the officers, employees and associates involved; (iii) omission of vigilance on the actions of the perpetrators and accomplices in the crime; (iv) the extent of the damage caused; (v) amount of money involved in the commission of the crime; (vi) the legal entity's size, nature and economic capacity; (vii) the legal entity's spontaneous self-reporting to the authorities as a result of an internal investigation or detection; (viii) subsequent behavior; (ix) willingness to mitigate or repair the damage caused; and (x) recidivism (when the legal entity is sanctioned for an offense committed within three (3) years following the date on which a previous condemnatory sentence becomes final).

The legal entity is exempted from penalties and administrative liability when the following three circumstances take place simultaneously: (i) the legal entity spontaneously self-reports a crime set forth by this law as a consequence of internal detection and investigation; (ii) the legal entity established, before the facts under investigation occurred, a proper control and supervision system (Integrity Program) and the breach of such system required an effort by those involved in the crime; and (iii) the legal entity returned the undue benefit obtained through the crime.

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The Law stipulates the possibility of legal entities implementing Integrity Programs consisting of actions, mechanisms and internal procedures for the promotion of integrity, supervision and control, focused on the prevention, detection and correction of irregularities and unlawful acts provided under the Law.

The implementation of an Integrity Program will be a required condition for legal entities to contract with the Argentine National Government when such contracts (i) must be approved by a public official ranked as minister or above; and (ii) fall under the National Government General Contracting Regime (Section 4 of Decree No. 1,023/01) and/or under the law of public works (Law No. 13,064), award of public works (No. 17,520), public-private partnerships (Law No. 27,328) or concession or licensing contracts for public services. (The regulation of the Law will have to establish how this requirement will be demonstrated and considered fulfilled to enter into these contracts.)

The Integrity Program which will have to be appropriate to the specific risks of the activities performed by the legal entity, its size and its economic capacity and, eventually, with the provisions established in the regulation of the Law must contain the following minimum elements: (i) a code of ethics or conduct, or the existence of integrity policies and procedures applicable to every director, manager and employee to guide the planning and performance of their duties or tasks in a manner that prevents the commission of crimes under the Law; (ii) specific rules and procedures to prevent unlawful acts within the scope of public tenders and bids, in the execution of administrative contracts or in any other interaction with the public sector; and (iii) the performance of regular training for directors, managers and employees about the Integrity Program. Additionally, the Integrity Program may contain (i) periodical risk analysis and consequent adjustment of the program; (ii) evident support to the program by top management; (iii) internal reporting channels; (iv) a policy protecting whistleblowers from retaliation; (v) an internal investigation system that respects the rights of those under investigation and imposes sanctions on violations of the Code of Ethics; (vi) procedures to verify the integrity and background of relevant third parties; (vii) due diligence during corporate transformation and acquisitions processes to evaluate potential illegal actions or vulnerabilities in the legal entities involved; (viii) continuous monitoring and evaluation of the program effectiveness; (ix) an internal compliance officer in charge of developing, coordinating and supervising the Integrity Program.

The Law provides that the legal entity may enter into Effective Collaboration Agreements (*Acuerdos de Colaboración Eficaz*) with the Public Prosecutor's Office (*Ministerio Público Fiscal*). The agreements may be filed until the summons to trial. Through these agreements, the legal entity undertakes to cooperate to bring the facts of the case to light, to identify the perpetrators or accomplices, to recover the proceeds or profit from the crime, as well to fulfill the conditions set forth in the agreement. These agreements will be filled in exchange for a suspension of the prosecution and a reduction of the penalties that may be imposed.

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 Business Conduct, we seek to comply with all applicable laws.

Activities relating to Iran

Telecom

During 2018 we had two activities relating to Iran: (i) our roaming agreement (mobile services) with Mobile Company of Iran (MCI) (formerly TCI), which allows our mobile customers to use their mobile device on a network outside their subscriber's home network (see Glossary of Terms Roaming) and (ii) our international telecommunications services agreements with international carriers (fixed services), which cover delivery of traffic to Iran through non-Iranian carriers.

On December 28, 2018, Telecom Argentina notified Mobile Company of Iran (MCI) the decision to terminate the IRA agreement signed by both parties related to Voice Roaming Service, in February 1, 2019. Notwithstanding the foregoing, and in order to properly document the termination of the roaming service, on February 1, 2019, a notarial certificate was issued stating the termination at a technical level of said service.

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After the date of termination of the agreement, Telecom Argentina will issue and receive invoices for traffic consumptions up to that date.

i. Roaming agreements (mobile services)

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

Roaming agreements are entered into using standard terms and conditions including the one relating to Iran. 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 for the calls made and received by its clients using our networks for those calls, at the roaming rate agreed upon in the applicable roaming agreement, and then the Foreign Operator bills its clients according to their customer agreements. Roaming agreements do not, generally, contemplate other fees or disbursements.

In 2018, 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 P\$1.73 thousand.
- our total charges paid under roaming agreements with MCI were approximately P\$13.09 thousand.

These revenues and charges are immaterial to our consolidated revenues and operating expenses. 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.

Also, as of December 31, 2018, the amount for these concepts pending to pay were approximately P\$4.8 thousand.

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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.

ii. *Commercial Agreements with International Carriers (fixed services):*

We maintain commercial agreements with international carriers from countries other than Iran, which permit those carriers to deliver traffic from Iran to our networks and from our networks to Iran. Telecom Argentina's total charges paid under commercial agreements with international carriers regarding delivery of traffic to Iran were approximately P\$1.8 thousand (P\$2.2 thousand in current currency of December 31, 2018).

Regarding incoming traffic, Telecom Argentina S.A. charge the relevant international carrier for their traffic terminated in Telecom's network. Consequently, Telecom Argentina does not know the country of origin of such traffic.

Activities relating to Syria and Sudan

In addition to the mandatory disclosure regarding the activities related to Iran described above, below we describe our activities that directly or indirectly relate to Syria and Sudan (designated by the U.S. Department of State as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls) (Designated Countries):

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Table of Contents*i. Roaming agreements (mobile services)*

Operators of mobile telecommunications networks enter into roaming agreements with other operators of mobile telecommunications networks in the ordinary course of business. See *Activities relating to Iran Telecom* for a description of roaming agreements.

During 2018, we maintained roaming agreements with MTN Sudan and MTN Syria. This situation changed on December 28, 2018, when Telecom Argentina S.A notified MTN Sudan and MTN Syria the decision to terminate the IRA agreement signed by both parties related to Voice Roaming Service, in February 1, 2019. Notwithstanding the foregoing, and in order to properly document the termination of the roaming service, on February 1, 2019, a notarial certificate was issued stating the termination at a technical level of said service.

After the date of termination of the agreement, Telecom Argentina SA will issue and receive invoices for traffic consumptions up to that date.

As of December 31, 2018, the approximate revenues, expenses, receivables and payables from roaming agreements with the Designated Countries were as follows:

Roaming agreements (mobile services)	Revenues	December 31, 2018		Payables
		Expenses	Receivables	
		In thousands of P\$		
Syria	0.01	8.90		35.61
Sudan		4.40		1.50
Total	0.01	13.30		37.11
<i>% of respective consolidated total amounts</i>	<i>(a)</i>	<i>(a)</i>		<i>(a)</i>

(a) Less than 0.001%.

ii. Commercial Agreements with International Carriers (fixed services):

We also maintain commercial agreements with international carriers from countries other than the Designated Countries which permit those carriers to deliver traffic from the Designated Countries to our networks and from our networks to such countries.

Regarding outgoing traffic, during 2018, Telecom has sent traffic to the Designated Countries mainly through Verizon Communications Inc. (United States), KPN (Holland) and Telecom Italia Sparkle S.p.A (Italy).

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As of December 31, 2018, the total approximate expense for delivery of traffic terminated in the Designated Countries was:

Commercial Agreements with International Carriers (fixed services)	December 31, 2018 In thousands of P\$
Syria	60.01
Total outbound costs	60.01
<i>% of consolidated operating expenses</i>	<i>0.001%</i>

Regarding incoming traffic, Telecom Argentina charge the relevant international carrier for their traffic terminated in Telecom's network. Consequently, Telecom Argentina does not know the country of origin of such traffic.

Accordingly, our total payables and receivables from international carriers include those balances arising from traffic related with the Designated Countries but it is not possible to segregate them.

The outbound costs described in the table above are wholly immaterial with respect to the Company's consolidated operating expenses for the period presented.

CAPITAL EXPENDITURES

Property, Plant and Equipment (PP&E) and Intangible Assets amounted to P\$ 210,346 million in the year ended December 31, 2018, P\$ 50,336 million in the year ended December 31, 2017, and P\$ 42,186 million in the year ended December 31, 2016.

The following financial information for the year ended December 31, 2018 reflects the effect of the Merger effective as of the Merger Effective Date (i.e., January 1, 2018). The Merger constituted a reverse acquisition under IFRS 3, pursuant to which Cablevision (the legal absorbed entity) was considered the accounting acquirer and Telecom (the surviving entity) was considered the accounting acquiree. Accordingly, the following information of Telecom for periods prior to the Merger Effective Date reflects the financial information of Cablevisión restated in terms of the current currency to take into account the effect of inflation in Argentina.

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The following table sets forth our Capital Expenditures for the years ended December 31, 2018, 2017 and 2016:

	2018	Year ended December 31, 2017 (P\$ million)(1)	2016
Land and buildings	426	227	10
Switching equipment	572		
Mobile network access, external wiring & transmission	22,488	6,196	6,324
Computer equipment and software	5,178	574	436
Other	10,910	12,119	12,634
Subtotal tangible capital expenditures	39,574	19,116	19,404
Rights of use, exclusivity agreements & licenses	1,558	807	
Subscribers acquisition costs	1,348		
Other			24
Subtotal intangible capital expenditures	2,906	807	24
Total capital expenditures in PP&E and Intangible assets	42,480	19,923	19,428

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

In addition, the following table shows capital expenditures for the years ended December 31, 2018, 2017 and 2016 broken down by Services rendered in Argentina and Other abroad:

	2018	Year ended December 31, 2017 (P\$ million)(1)	2016
<u>Services rendered in Argentina</u>			
Land and buildings	328	226	9
Switching equipment	330		
Mobile network access, external wiring & transmission	21,568	6,094	6,210
Computer equipment and software	4,700	573	435
Other	9,892	11,989	12,442
Subtotal tangible capital expenditures	36,818	18,882	19,096
Rights of use, exclusivity agreements and licenses	714	807	
Subscribers acquisition costs	1,259		
Other			24
Subtotal intangible capital expenditures	1,973	807	24
Total Services rendered in Argentina capital expenditures	38,791	19,689	19,120
<u>Other abroad</u>			
Land and buildings	98	1	1
Switching equipment	242		
Mobile network access, external wiring & transmission	920	102	114
Computer equipment and software	478	1	1
Other	1,018	130	192
Subtotal tangible capital expenditures	2,756	234	308
Rights of use, exclusivity agreements and licenses	845		
Subscribers acquisition costs	88		
Subtotal intangible capital expenditures	933		
Total Other abroad capital expenditures	3,689	234	308

Total capital expenditures	42,480	19,923	19,428
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(1) The allocation of work in progress among items is estimated.

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We estimate that our capital expenditures will be approximately US\$5,000 million and started in 2018, while for the year 2019 will be approximately US\$1,090 million, 26% of consolidated revenues. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Expenditures.

We expect to finance these expenditures through cash flows generated by our operations and financing provided by third parties.

PROPERTY, PLANT AND EQUIPMENT

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 AMBA and 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, 2018		
	Services rendered in Argentina	Other abroad (P\$ million)(1)	Total
Land and buildings	21,074	230	21,304
Switching equipment	3,008	646	3,654
Mobile network access, external wiring & transmission	79,482	3,316	82,798
Computer equipment and software	10,199	1,061	11,260
Materials	11,191	693	11,884
Others	18,150	1,426	19,576
Total PP&E, net carrying value	143,104	7,372	150,476(2)

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

(2) Net of valuation allowance for materials for P\$ 359 million and impairment of PP&E for P\$ 333 million.

All of the above-mentioned assets were used to provide service to our customers as described below.

	2018	2017 (thousands)	2016
Fixed lines in service	3,544	12.7	7.7
Fixed Internet access lines	4,110	2,318	2,166
Personal mobile telephony services lines (*)	18,316	n/a	n/a
Iden telephony services lines	314.3	716.6	n/a

(*) In 2018, includes 2,387 thousand Núcleo customers.

As of December 31, 2018, we have entered into purchase commitments relating to PP&E totaling P\$9,926 million primarily for switching equipment, external wiring and network infrastructure. In general, the contracts are financed, directly or indirectly, by domestic and foreign vendors.

Our current major suppliers of PP&E are Huawei International Co. Limited, IBM Argentina S.R.L., Huawei Tech Investment Co. Ltd. Argentina, Arris Solutions Inc., Cisco Systems, and Nokia Solution and Networks Argentina.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

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ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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 as issued by the IASB. See Item 3 Key Information Selected Financial Data. The following discussion and analysis are presented by the Management of our company and provide 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 rely solely 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

We believe in the capacity of telecommunications to enhance the development of the country, boosting local economies through the access to high value-added communication and connectivity services. To this end, we continue to invest in the most modern mobile technology infrastructure, as well as in the deployment of a high speed fiber optic network to deliver the best contents to our customers.

In this new stage, Telecom focuses on several strategic pillars. One of them is the deployment of an infrastructure that will allow the Company to offer more services, with a fixed-mobile network with differentiating features, on a par with the largest companies in the world. Another pillar is a deep in-house cultural transformation to support the goals of the convergent business and to strengthen the focus on the customer.

In this sense, during 2018, we prioritized the integration of the merged companies, focusing on the people, the organizational culture, the administrative processes, the technological tools and the key factors to achieve competitiveness and ensure the long-term sustainability of our businesses.

As of December 31, 2018, (i) Telecom's telephony mobile business had approximately 18.3 million subscribers in Argentina (excluding our IDEN telephony subscribers) and approximately 2.4 million subscribers in Paraguay, (ii) Telecom's broadband business reached approximately 4.1 million accesses, (iii) Telecom's cable television business had approximately 3.5 million subscribers and (iv) Telecom had approximately 3.5 million fixed telephony lines in service, which are equivalent to 140 lines in service per employee. To promote the expansion of business, our capital expenditures amounted to P\$42,480 million in 2018, equivalent to 25.3% of consolidated revenues. We believe that our investments and estimated capital expenditures for 2019 are clear evidence of our commitment to our customers.

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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 adjusted EBITDA provides investors and financial analysts with appropriate information that is relevant to understanding the Company's past and present performance as well as our projections of future performance (see the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA). Moreover, adjusted EBITDA is one of the key performance measures used by Management for monitoring the Company's profitability and financial position, at consolidated levels.

Our financial statement data as of and for the years ended December 31, 2017 and 2016 are not comparable with our financial statement data as of and for the year ended December 31, 2018 because of the Merger, which was consummated on January 1, 2018. Effective as of the Merger Effective Date (i.e., January 1, 2018), Cablevisión merged into Telecom Argentina. We have accounted for the Merger as a business combination using the acquisition method of accounting under IFRS 3 to account for assets and liabilities of Telecom as of January 1, 2018. The Merger constituted a reverse acquisition, pursuant to which Cablevisión (the legal absorbed entity) was considered the accounting acquirer and Telecom Argentina (the surviving entity) was considered the accounting acquiree.

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Accordingly, the financial statements of Telecom for periods prior to the Merger Effective Date reflect the historical financial information of Cablevisión restated in terms of the current currency as of December 31, 2018. The information as of and for the year ended December 31, 2018 incorporates, based on the figures corresponding to Cablevisión, the effect of applying the acquisition method to Telecom Argentina to its fair value in accordance with IFRS 3 and the operations of Telecom Argentina as from January 1, 2018. Such figures are presented in this Annual Report restated in terms of the current currency to take into account the effect of inflation in Argentina.

Consolidated revenues in 2018 were P\$168,046 million compared to P\$66,649 million in 2017 and P\$60,405 million in 2016. The increase of P\$101,397 million in 2018 (a 152% increase) was mainly driven by the combination of Telecom and Cablevisión's operations following the Merger, as described in previous paragraphs. Revenues in 2018 were mainly driven by revenues from internet services, premium cable TV services and mobile services and fixed and data services.

In the year ended December 31, 2018, we reported net income of P\$5,536 million, compared to net income of P\$9,859 million for the year ended December 31, 2017, and net income of P\$10,546 million for the year ended December 31, 2016. Net income attributable to Telecom Argentina decreased by P\$4,437 million in 2018 as compared to 2017, reaching P\$5,294 million and decreased by P\$726 million in 2017 as compared to 2016, reaching P\$9,731 million, from P\$10,457 million reported in 2016.

For a discussion of the factors that may affect our results of operations see Item 3 Key Information Risk Factors and Years ended December 31, 2018, 2017 and 2016 Factors Affecting Results of Operations and Trend Information below.

For a detailed analysis of our results of operations for fiscal year 2018, see Years ended December 31, 2018, 2017 and 2016 below.

Economic and Political Developments in Argentina

A substantial majority 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 Argentine Peso and foreign currencies. In the recent past, Argentina has experienced severe recessions, political crises, periods of high inflation and significant currency devaluation. Argentina experienced economic growth in the last decade, although the Argentine economy has been volatile since year 2011. For example, Argentina's economy grew in 2017, but contracted in 2018. Uncertainty remains as to how several factors would impact the Argentine economy, including among others, inflation rates, exchange rates, commodity prices, level of BCRA reserves, public debt, tax pressures and healthy trade and fiscal balances.

Inflation continued to be the main concern for the Argentine economy. Since January 2014, a new consumer price index started its publication. In 2014, the new national consumer price index (IPCNu) showed an increase of 23.9%. In addition, the INDEC estimates that the Argentine wholesale price index increased by 28.3% in 2014.

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On January 8, 2016, the current administration issued Decree No. 55/2016 declaring a state of administrative emergency with respect to the national statistical system and the INDEC until December 31, 2016. During this state of emergency, the INDEC has suspended publication of certain statistical data (regarding prices, poverty, unemployment and GDP) until it completes a reorganization of its technical and administrative structure capable of producing sufficient and reliable statistical information. As of the date of this Annual Report, INDEC had resumed publication of the aforementioned statistical data, although for some indicators, it has not yet disclosed or provided reestimated figures for certain time periods. Under these circumstances the INDEC has recommended the use of alternative indexes. However, the index used was the average variation of the Consumer Price Index of the city of Buenos Aires.

INDEC resumed publication of the wholesale price index for the entirety of 2016, which increased by 34.6% based on a year-to-year comparison. In turn, the publication of the CPI index for Buenos Aires City and Greater Buenos Aires Area was resumed in June 2016 disclosing May 2016 monthly inflation figures, while data for the months of January to April of 2016 are unavailable. Taking this into account, CPI index variation from May to December 2016 was 16.9%. Meanwhile, consumer price measures for Autonomous City of Buenos Aires and San Luis Province registered a 41.0% and 31.4% increase during 2016, respectively. Since July 2017, the INDEC has resumed the publication of a National CPI (IPC Nacional) on a monthly base regularly. The IPC Nacional index has registered an increase of 24.7% on a year-over-year comparison for 2017, and an increase of 47.6% for 2018.

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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 2018, and after a positive first quarter, economic activity was affected by climate conditions resulting in a decrease of agricultural performance. Argentina also faced increased exchange rate volatility beginning during the second quarter and until the end of the third quarter, with a period of relative stabilization during the last quarter of the year. These factors contributed to a rapid retraction of the economic activity that endured from the second quarter to the remainder of the year. In general terms, most economic sectors were affected by the general macroeconomic context, registering an asymmetrical performance in their level of activity. With regard to the international context, we believe that global growth continues to be solid, although in certain advanced economies the expansion seems to have been less balanced and could register deceleration, and as a consequence the risks of a global economic slowdown have slightly increased. Specifically and considering our main trading partners, activity in Brazil continues within the path of growth registered during the previous year, but with a general increase of its output of a low magnitude, while in China the activity was stable and at levels similar to the previous year, with a sustained expansion rate.

In 2012, 2013 and 2014, the pace of peso devaluation accelerated in relation to previous years to 14.4%, 32.5% and 31.1%, respectively; and the official exchange rate ended the year at a P\$8.55 per US\$1.00. In December 2015, the current administration lifted many of the restrictions to access the FX Markets and the multiple exchange rate system was unified into a floating rate regime. As a consequence, a significant depreciation of the peso occurred, with the exchange rate at P\$13.04 per US\$ 1.00, an increase of 52.5% by the end of 2015. In addition, on April 21, 2016 the BCRA published Communication A 5955, whereby the limits for access to the MULC for payments of foreign accounts payable related to goods and services were eliminated, establishing that starting on the following day access to the market for such payments is unlimited, subject to compliance with the foreign exchange norms in force. In 2018, the Argentine peso experienced a rapid devaluation against foreign currencies, particularly the U.S. dollar. Between January 1 and December 31, 2018, the Argentine Peso slid from 18.65 to 37.70 Argentine Pesos per U.S. Dollar according to the U.S. dollar buying rate published by *Banco de la Nación Argentina* (Argentine National Bank), showing a devaluation of 102.2% vs. 2017, while on March 19, 2019, the exchange rate was P\$40.50= US\$1.00.

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 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 2018, 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

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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.

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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 Telecom and their amount can be measured reliably. Revenues from transactions that include more than one performance obligation are recognized separately to the extent they have commercial substance on their own. Revenues are stated net of estimated discounts and returns.

Revenues from upfront connection fees for fixed, data and Internet services and installation (one-time income) non-refundable charges of cable 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. Therefore, these revenues are influenced by the estimated expected term 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 recharges made by customers are recognized on the basis of the services used, at the contract price per service.

Finally, contractual assets recognized due to the adoption of IFRS 15 are influenced by the expected duration of the relationship of the customer. For more information See Note 3) to our Consolidated Financial Statements.

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 PP&E and amortizable intangible assets.

Recoverability assessment of PP&E and intangible assets with finite useful life

At a minimum at every annual closing date, we assess whether 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 estimate 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 assumptions by Management 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.

However, we recognized impairment loss of certain assets amounting to P\$1,623 million in 2018. Impairment of 2018 is due to the impairment of Arnet trademark, which will be discontinued during 2019. See ITEM 4 Information on the Company Main Products and Note 3 to our Consolidated Financial Statements.

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For the years presented, considering the increase in values of finite and indefinite useful life of PP&E, Intangible assets and Goodwill, due to restatements in terms of the current currency, we estimate that there are indicators of impairment of assets that are subject to amortization. Therefore, the Company made an estimation of the value in use for both, PP&E and Intangible assets with finite and indefinite useful life, that is analyzed in *Intangible assets with indefinite useful life PCS license, SRCE license, Brands and Goodwill* and determined no impairment.

Intangible assets with indefinite useful life PCS license, SRCE license, Brands and Goodwill

We determined that the PCS license and the SRCE license, granted to Telecom met the definition of an indefinite-lived intangible asset for the years presented. Therefore, Telecom does not amortize the cost of these licenses. However, the Company tests them annually for impairment. Additionally the Company has to test for impairment the goodwill and brands that do not amortize. Additionally, as it is mentioned before, due to the inflation restatements in terms of the current currency recognized in the value of all PP&E and Intangible assets we need to test for impairment and, therefore, make an estimation of the value in use of all definite and indefinite useful lives of PP&E, Intangible assets and goodwill, and determine the existence or not of an impairment loss.

An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverability assessment 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 assumptions by Management 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.

The Company'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, we: (a) have converted such peso-denominated cash flows into U.S. dollars using future estimated exchange rates applicable to each period; and (b) have discounted these U.S. dollar-denominated cash flows at an annual U.S. dollar rate of approximately 9.66% in order to obtain the recoverable value of PP&E, Intangible assets and Goodwill.

Through this evaluation, it was determined that the carrying amount of PP&E, Intangible assets and goodwill did not exceed the respective recoverable amount of the assets.

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 all PP&E, Intangible assets and Goodwill.

Income Taxes and Recoverability assessment of deferred income tax assets and other tax receivables / Deferred income tax measurement

We are required to estimate our income taxes (current and deferred) in each of the companies of Telecom 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.

The recoverability assessment of the income tax receivable related to Telecom Argentina's actions for recourse filed during 2016, 2017 and 2018 regarding the amounts determined in excess due to lack of application of the income tax inflation adjustment, is based on the existing legal jurisprudence on this matter and the estimated future behavior of the National Tax Authority and of the National court in their review of the actions filed by Telecom Argentina (see Note 15 to our Consolidated Financial Statements).

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.

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Since the change in the rates provided by Law No. 27,430, the corporate income tax rate decreases from 35% to 30% for fiscal years starting January 1, 2018 to December 31, 2019, and to 25% for fiscal years starting January 1, 2020 and onwards. Therefore, for the measuring of deferred income tax assets/liabilities, the fiscal year in which temporary differences will reverse has been estimated, and the corresponding income tax rate of each reversal period has been applied. The actual moment of the future income and tax deductions may differ from the estimated, and may produce an impact in future income.

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 was an annual rate range between 29-40% in pesos for 2018. The estimated discount rate used to determine the discounted cash flow of long-term receivables in U.S. dollars was an annual rate of 8.32% and 13% for years 2018 and 2017, respectively. The discount rate in Guaraníes for loans was 8.32% and 8.83% in 2018 and 2017, respectively and for accounts receivable was 9.0 and 9.8% in 2018 and 2017. 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, commercial and other matters. The factors taken into account for the calculation of the provisions for lawsuits and contingencies are based on the present value of the estimated costs arising from the lawsuits brought against us. 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, cash flows and results of operations.

Fair value measurement of certain financial instruments

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The fair value of a financial instrument is the amount for which it could be purchased or sold between knowledgeable willing parties, in an arms length transaction. If there is a quoted market price available for an instrument in an active market the fair value is calculated based on that price. If there is no quoted market price available for a financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving the same or similar instruments, or, otherwise, on the basis of valuation techniques regularly used in financial markets. We use our judgment to select a variety of methods and make assumptions on the basis of market conditions on the day we prepare our financial statements.

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, the requests by customers to unsubscribe, our historical write-offs, public sector and corporate customer creditworthiness and changes in our customer payment terms and estimates regarding future performance, in accordance with the requirements of IFRS 9. If the financial condition of our customers were to deteriorate, the actual write-offs could be higher than expected.

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Business combinations purchase price allocation

Accounting for business combinations required the allocation of the consideration for the acquisition to the various assets and liabilities of the acquired business at their respective fair values. We use all available information to make these fair value determinations. In connection with the estimates related to the accounting effect of the business combination referred to in Note 4.a) to Telecom Argentina's Consolidated Financial Statements, Telecom Argentina was required to identify the assets and liabilities of the acquiree and estimate their fair value as of the date of the business combination. With regard to those assets that are subject to amortization or depreciation, Telecom Argentina made an estimation of their useful lives.

Any change in the estimates made by Telecom Argentina may affect the valuation of the identified assets and liabilities, which in turn may impact our results of operations. For further information see Note 4.a) to Telecom Argentina's Consolidated Financial Statements.

Years ended December 31, 2018, 2017 and 2016

For purposes of these sections, the fiscal years ended December 31, 2018, 2017 and 2016 are referred to as 2018, 2017 and 2016, respectively.

Our results of operations are determined in accordance with IFRS as issued by the IASB. Telecom provides customers with a broad range of telecommunication services. To fulfill its purpose, Telecom conducts different activities that are distributed among the companies in the Group.

The main products and services are:

- **Fixed Telephony and Data Services:** consist of 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 transportation), and sales of equipment.
- **Internet services:** consist of data transmission (including private networks, dedicated lines, broadcasting signal transport and videoconferencing services) and Internet services (mainly high-speed subscriptions - broadband) provided to residential and corporate customers.
- **Mobile Telephony Services:** Mobile Telephony Services offerings include voice communications, high-speed mobile Internet content and applications download, MMS, SMS, among others; and sale of mobile communication devices (handsets, modems mifi and wingles). The services are supported by a mobile network that relies on different technologies (2G/3G/4G).
- **Cable Television services:** the services offered include access to the grid of corresponding channels according to each product and location, in analogue or digital form, HD content and the ability to pause all live programs, record

contents in the cloud to be able to watch them at any time from any device and watch programs that have already been broadcasted. Additionally, the possibility of hiring Premium services to access contents of HBO, Fox Premium, Adults and Argentine Football is offered; as well as the possibility of acquiring movies or other content per day (ON DEMAND/PPV).

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. See also Item 3 Key Information Risk Factors . Additional information regarding trends expected to influence our results of operations is analyzed below under Trend Information.

The Argentine Economy

Substantially all of our assets and operations and our customers are located in Argentina. Accordingly, our financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina. For more information on these macroeconomic and political conditions, see Risk Factors Risks Relating to Argentina.

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Source and Mix of Revenues and Costs

Our broadband service subscribers amounted to 4,110,278 as of December 31, 2018. In 2018 our subscriber base increased by 77%, as compared to December 31, 2017. Other sources of revenue included premium cable services, installation charges, charges for additional outlets, additional packages, DVR and the selling of our magazine, *Miradas*. Our revenue from subscriptions was primarily a function of the number of subscribers served by our networks during the relevant period. Cable and broadband subscribers were added through the expansion of our network and marketing of our services to homes passed by our networks.

We principally generate our revenues in the cable and broadband industries through monthly fees charged to our subscribers that are payable in Pesos. We generally seek to increase our revenues through the growth of our customer base and through the introduction of value-added services and products aimed at different customer needs. Further, we expect to increase our revenue through new product launches and the expansion of our broadband customer base. Our results of operations in the cable and broadband industries are therefore dependent on our customer base and the number of services that each customer uses. Overall revenue and costs are also affected by the mix of services we provide, with broadband generally being associated with higher margins relatively to cable television. In 2016 and 2017, 61% and 60% of our revenues, respectively, were generated by our cable services (pay TV services excluding sales for premium content, high definition digital services and video on demand packages) while 23% and 29%, respectively, were generated by our broadband services.

As from the Merger, we have added Telecom's businesses in fixed telephony, mobile services and data services to our existing operations. The Merger has substantially changed our sources and mix of revenues. During the year ended December 31, 2018, we generated revenues of Ps. 57,776 million from our mobile services, Ps. 37,742 million from our internet services, Ps. 36,067 million from our cable TV services and Ps. 23,149 million from our fixed telephony and data services.

Our cost of services provided, selling expenses and administrative expenses in the cable and broadband industries consist primarily of (i) programming and content costs; (ii) employee benefit expenses and severance payments; (iii) depreciation, amortization and impairment of PP&E; and (iv) taxes and fees with the regulatory authority. Between 2015 and 2017, more than 90% of our total operating costs were Peso-denominated. The portion of operating costs that are U.S. Dollar-denominated is mainly comprised of data transfer costs and maintenance of property, plant and equipment and network expenses, among others.

As from the Merger, we incorporated into our consolidated costs the costs, selling expenses and administrative expenses of Telecom activities in the mobile, broadband and fixed telephony and data services industries. The Merger has substantially changed our breakdown of costs.

Effect of Inflation

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Our Consolidated Financial Statements and the financial information included elsewhere in this Annual Report have been restated for all the periods reported based on certain price indexes to take into account the effect of inflation in Argentina. The Consolidated Financial Statements and the financial information included in this Annual Report for all the periods reported are presented on the basis of constant Argentine pesos as of December 31, 2018. The conclusions drawn by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (Argentine Federation of Professional Councils in Economic Sciences) and some international audit firms were taken into account by management in performing the analysis under IAS 29. An economy is hyperinflationary, in accordance to the provisions of IAS 29, when it has a cumulative inflation rate over three years that approaches, or exceeds, 100%, also taking into consideration other qualitative factors related to the macroeconomic environment. In analyzing the provisions of IAS 29, management uses the inflation rate stated in the official statistics published by the INDEC, similar to the criterion adopted by accounting professionals in Argentina.

We restated all the non-monetary items in order to reflect the impact of inflation. Consequently, the main items restated were Property, Plant and Equipment, Intangible assets (including goodwill), Inventories, certain Investments in subsidiaries and the Equity items. Each item was restated since the date of the initial recognition in the Company's Equity or since the last revaluation.

The financial information issued for comparative purposes must also be presented in the current currency of December 31, 2018 and will be restated using the annual index of the current year.

As a result of applying the comprehensive inflation restatement, the Company will record an increase in the value of non-monetary items, such as Property, Plant and Equipment, Intangible Assets (including Goodwill) with an impact on deferred taxes and an increase in the Company's equity, including shareholders contributions.

For further information, see Note 1.e) to our Consolidated Financial Statements.

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Effects of Fluctuations in Exchange Rates between the Argentine Peso and the U.S. Dollar

The peso has been subject to significant devaluations in the past and may be subject to fluctuation in the future. In recent years, there was a significant devaluation which amounted to approximately 102.2% 2018, 17.4% in 2017, 21.9% in 2016 and 52.5% in 2015. The majority of our revenues are in pesos whereas a portion of the costs regarding materials and supplies related to the construction and maintenance of our networks and services are incurred in foreign currencies. Also, the high level of competition limited 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 (partially offset by the increase of revenues in foreign currencies), capital expenditures and the cost of debt, which will adversely affect our results of operations, considering the net effect on revenues and costs. Any significant devaluation of the Peso, such as the devaluation in December 2015, and May and June 2018 results in an increase in the cost of servicing our debt and, therefore, may have a material adverse effect on our results of operations. See Exchange Rate Information and Risk Factors Risks Relating to Argentina Devaluation of the Argentine peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad.

Acquisition and Internal Growth

We have focused on increasing our broadband internet penetration by providing and offering bandwidth connectivity to our existing cable television subscribers, telephony customers and to new customers. We have also grown our broadband subscriber base by emphasizing our bandwidth capabilities and expanding the products and services that we offer with a focus on launching products and services with faster speed options tailored to our customers' evolving needs. The diversification of our product mix to increase our broadband offerings, coupled with an increase in the portion of total revenues represented by broadband services have, in turn, resulted in an increased ARPU.

Total monthly ARPU for mobile telephony services in Argentina was Ps. 213.9 for December 31, 2018. Total monthly ARPU for broadband services was Ps. 762.0 for December 31, 2018 as compared to Ps. 890.1 during the same period in 2017. Total monthly ARPU for our cable television services was Ps. 854.3 for December 31, 2018 as compared to Ps. 835.4 during the same period in 2017. The increase in ARPU for each of the services described above are attributable to the impact of the increase on prices for these services.

Total monthly ARBU in our fixed telephony services was Ps. 270.8 for December 31, 2018 as compared to Ps. 23.7 during the same period in 2017. The increase in total ARBU between 2017 and 2018 was mainly due to the Merger.

For the calculation of ARPU and ARBU, see footnote 5) of the Other Financial Data table in Item 3.

Price of services

The LAD established that licensees of ICT services may freely set their prices which shall be fair and reasonable, to offset the costs of exploitation and to tend to the efficient supply and reasonable margin of operation. However, the ENACOM (also, the Regulatory Authority) is entitled to observe the prices set by us if it understands that they do not comply with the provisions of Article 48 of the LAD. If prices are observed as imposing restrictions on our prices our operating margins may be negatively affected. Before the LAD came into force, the service prices that Telecom charged in its fixed telephony service (including both monthly charges and measured service charges), installation charges, public telephone charges and charges for Internet dial-up traffic (Regulated Services) were subject to regulation.

The impact of the service price adjustments on our results of operations is particularly relevant as a result of inflationary pressures on our costs structure.

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Competition

The fixed and mobile telephony, cable television and broadband businesses in Argentina are competitive. With respect to fixed and mobile telephony services, significant resources will need to be devoted for the refurbishment and maintenance of our existing network infrastructure to comply with regulatory obligations and to remain competitive with respect to the quality of our services. With respect to cable television services, we compete with other cable television operators that have built networks in the areas in which we operate, providers of other pay television services, including direct broadcasting, direct-to-home satellite and multi-channel multi-point distribution system services, licensed suppliers of basic telephone services and cooperative entities providing utility services, as well as with free broadcasting services which are currently available to the Argentine population in certain areas from four privately-owned television networks and one state-owned national public television network. With respect to broadband services, certain competitors have well-established name recognition, larger customer bases, and significant financial, technical and marketing resources. For more information, see Item 3. Key Information Risk Factors We face substantial and increasing competition in the Argentine fixed and mobile telephony, cable television and broadband businesses.

Technology Developments and Capital Expenditures

Improvements in technology influence our customers' demand for services and equipment. For example, demand for fixed-line telecommunications services has been affected by continued significant growth in mobile business. Growth in the telephony as well as cable television services businesses at present is being affected by the expansion of broadband for individuals and corporations and our 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 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 subscribers with new and better services, Telecom must enhance its mobile networks extending 3G and 4G technology and bandwidth for mobile data transmission. Moreover, Telecom is developing a LTE infrastructure expeditiously, in response to regulatory requirements (obligations arising from the acquisition of the 4G spectrum) and the mobile market development.

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. See Business Capital Expenditures.

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 are generally 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 current laws and regulations applicable to the economy generally or specifically to 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.

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(A) Consolidated Results of Operations

The following financial information for the year ended December 31, 2018 reflects the effect of the Merger effective as of the Merger effective as of the Merger Effective Date (i.e., January 1, 2018), and the result of the operations from that date of the merged entities carried out by Telecom Argentina as successor since the merger. The Merger constituted a reverse acquisition under IFRS 3, pursuant to which Cablevisión (the legal absorbed entity) was considered the accounting acquirer and Telecom (the surviving entity) was considered the accounting acquiree. Accordingly, the financial statements of Telecom for periods prior to the Merger Effective Date reflects the financial information of Cablevisión restated in terms of the current currency of December 31, 2018 to take into account the effect of inflation in Argentina. Additional information concerning the presentation of the financial information, accounting treatment and other information required by IFRS 3 related to the merger is provided in Notes 1.c) and 4.a) to our consolidated financial statements, and we recommend that you read it in conjunction with this Annual Report.

Consequently, for the purposes of preparing this Annual Report: i) the figures disclosed on a comparative basis as of and for the years ended December 31, 2017 and December 31, 2016 arise from the consolidated financial statements of Telecom as of and for the years ended on such dates, as restated in terms of the current currency to take into account the effect of inflation in Argentina; and ii) the information as of and for the year ended December 31, 2018 incorporates, based on the figures corresponding to Cablevisión, the effect of applying the acquisition method concerning Telecom Argentina to its fair value in accordance with IFRS 3 and the operations of Telecom Argentina as from January 1, 2018 restated in terms of the current currency as of December 31, 2018.

Likewise, the results of the consolidated operations were restated in terms of the current currency of December 31, 2018 to take into account the effect of inflation in Argentina in accordance to the requirements of IAS 29.

The Company restated all the non-monetary items in order to reflect the impact of the inflation restatement reporting in terms of current currency as of December 31, 2018. Consequently, the main items restated were Property, Plant and Equipment, Intangible assets (including goodwill), Inventories, certain Investments in subsidiaries and the Equity items. Each item must be restated since the date of the initial recognition in the Company's Equity or since the last revaluation. Monetary items have not been restated because they are stated in terms of the measuring unit current as of December 31, 2018.

Before applying the restatement, the Income Statement generally reported costs current at the time at which the underlying transactions or events occurred. Therefore, those items were restated in terms of current currency as of December 31, 2018. To this end, the Company applied the change in a general price index.

The effect of inflation on the monetary position is included in the Income Statement under Other financial results to our Consolidated Financial Statements, amounting to P\$13,403 million, P\$1,907 million and P\$5,547 million as of December 31, 2018, 2017 and 2016, respectively.

The items of the Consolidated Statement of Cash Flows must also be restated in terms of current currency of December 31, 2018. The gain arising from the restatement has an impact on the Consolidated Income Statement and must be eliminated from the Statement of Cash Flows because it is a non-monetary item.

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In relation to the general price index, according to Resolution No. 539/18, it is to be determined according to the Internal Wholesale Price Index (IWPI) until the year 2016, considering for the months of November and December 2015 the average variation of the Consumer Price Index (CPI) of the City of Buenos Aires, due to the fact that during those two months there were no IWPI measurements at national level. Then, from January 2017, the National Consumer Price Index (National CPI) is considered. The tables below show the evolution of these indexes in the last three years and as of December 31, 2018 according to official statistics (INDEC) following the guidelines described in Resolution No. 539/18:

	As of December 31, 2014	As of December 31, 2015	As of December 31, 2016	As of December 31, 2017	As of December 31, 2018
Variation in Prices					
Annual / Period	23.9%	17.2%	34.6%	24.7%	47.6%
Accumulated 3 years	52.4%	72.5%	102.2%	96.6%	147.8%

For further information see Note 1.e) to our Consolidated Financial Statements and see Item 3 Risk factors Risk Related to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom s margins to see the impacts of inflation.

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In the year ended December 31, 2018, we reported net income of P\$5,536 million, compared to net income of P\$9,859 million for the year ended December 31, 2017, and net income of P\$10,546 million for the year ended December 31, 2016. Net income attributable to Telecom Argentina decreased by P\$4,437 million in 2018 as compared to 2017, reaching P\$5,294 million and decreased by P\$726 million in 2017 as compared to 2016, reaching P\$9,731 million, from P\$10,457 million reported in 2016.

Consolidated revenues in 2018 were P\$168,046 million compared to P\$66,649 million in 2017 and P\$60,405 million in 2016. The increase of P\$101,397 million in 2018 (a 152% increase) was mainly driven by the combination of Telecom and Cablevision's operations following the Merger, as described in previous paragraphs. Revenues in 2018 were mainly generated by revenues from internet services, premium cable TV services and mobile services, while in 2017, revenues were mainly generated by revenues from internet services and premium cable TV services, and to a lesser extent to mobile services.

In 2018, operating costs (including depreciation and amortization and disposals and impairment of PP&E) totaled P\$146,789 million, representing an increase of P\$94,449 million, or 180% as compared to 2017. In 2017, operating costs (including depreciation and amortization and disposals and impairment of PP&E) totaled P\$52,340 million, representing an increase of P\$4,251 million, or 9% as compared to 2016. The increase in costs in 2018 is mainly a consequence of the combination of Telecom and Cablevision's operations following the Merger, as described in previous paragraphs, partially offset by a decrease in Cablevisión operating costs when restated for inflation as of December 31, 2018 vs. 2017.

Telecom carries out its activities in Argentina and abroad (Paraguay, the United States and Uruguay). These operations are not analyzed as a separate segment by the Executive Committee and the CEO, who analyze the consolidated information of companies in Argentina and abroad, taking into account that the activities of foreign companies are not significant for Telecom. The operations that Telecom carries out abroad do not meet the aggregation criteria established by the standard to be grouped within the Services rendered in Argentina segment, and considering that they do not exceed any of the quantitative thresholds identified in the standard to qualify as reportable segments, they are grouped within the category Other abroad segments according to the requirements of the IFRS 8.

However, since operations abroad are not material, the explanations set below are mainly based on financial information of operations in Argentina.

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	Years Ended December 31,		%	Total Change (P\$ million)
	2018	2017		
	(P\$ million)			
Revenues	168,046	66,649	152	101,397
Operating costs (without depreciation, amortization and Impairment of PP&E and intangible assets)	(111,678)	(42,536)	163	(69,142)
Adjusted EBITDA(1)	56,368	24,113	134	32,255
Depreciation, amortization and Impairment of PP&E and intangible assets	(35,111)	(9,804)	258	(25,307)
Operating income	21,257	14,309	49	6,948
Earnings from associates	236	353	(33)	(117)
Debt financial expenses	(33,972)	(217)	n/a	(33,755)
Other financial results, net	15,177	930	n/a	14,247
Income tax benefit (expense)	2,838	(5,516)	n/a	8,354
Net income	5,536	9,859	(44)	(4,323)
Net income attributable to:				
Telecom Argentina (Controlling Company)	5,294	9,731	(46)	(4,437)
Non-controlling interest	242	128	89	114

(1) Adjusted EBITDA is a non-GAAP measure. See the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA .

Revenues

	Years Ended December 31,		%	Total Change (P\$ million)
	2018	2017		
	(P\$ million)			
Mobile Services	57,776	4,274	1,252	53,502
Internet Services	37,742	19,354	95	18,388
Cable Television Services	36,067	39,914	(10)	(3,847)
Fixed and Data Services	23,149	1,897	1,120	21,252
Other services revenues	478	835	(43)	(357)
Service Revenues	155,212	66,274	134	88,938
Equipment revenues	12,834	375	3,322	12,459
Revenues	168,046	66,649	152	101,397

During 2018, total consolidated revenues increased by 152% to P\$168,046 million from P\$66,649 million in 2017, mainly driven by revenues from internet services, premium cable TV services and mobile services. The increase in 2018 is mainly a consequence of the combination of Telecom and Cablevision's operations following the Merger.

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Consolidated revenues includes approximately P\$30,886 million and P\$25,712 million corresponding to the restatement of revenues in terms of current currency of December 31, 2018 and 2017; respectively.

Consolidated revenues were mainly fueled by services revenues.

Services revenues amounted to P\$155,212 million, increasing 134% from P\$66,274 million in 2017 and represented 92.4% of consolidated revenues. Equipment revenues amounted to P\$12,834 million from P\$375 million in 2017, and represented 7.6% of consolidated revenues.

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Consolidated revenues for 2018 and 2017 are comprised as follows:

Mobile Services

During 2018, Mobile services revenues amounted to P\$57,776 million (+P\$53,502 million or +1,252% vs. 2017), and our mobile services revenues was the principal contributor to our total services revenues as of December 31, 2018 (37% of services consolidated revenues in 2018 vs. 6% in 2017). The increase in 2018 is mainly a consequence of the combination of Telecom and Cablevision's operations following the Merger and due to the incorporation of revenues generated from Personal mobile services in Argentina.

Most of the Company's customers in Argentina use the mobile services provided under the Personal trademark. The main ratios related to the services provided to these customers were:

- Personal reached 18 million subscribers in Argentina, approximately 61% of the total of customers consist of prepaid customers, and 39% consist of postpaid customers.
- The churn rate per month amounted to 2.7% in 2018 (vs. 2.8% in 2017).
- ARPU amounted to P\$213.9 per month in 2018 (ARPU is a non-GAAP measure; see the purpose of use of ARPU and Reconciliation of Revenue for the calculation of ARPU below).
- Mobile services revenues in Argentina amounted to P\$51,089 million were mainly generated by the increase in monthly fees charged from Abono fijo customers and the increase in the recharges in the prepaid subscriber base.

Mobile services revenues generated in Paraguay amounted to P\$6,687 million. The main ratios related to the mobile services in Paraguay were:

- Núcleo's subscriber base reached 2 million customers, approximately 83% of the total of customers consist of prepaid customers, and 17% consist of postpaid customers.
- The churn rate per month amounted to 3.0% in 2018 (vs. 2.7% in 2017).
- The monthly ARPU amounted to P\$206.3 per month in 2018.

An amount of P\$10,866 million and P\$1,503 million related to the effect of inflation adjustment under IAS29 is included in mobile services revenues as of December 31, 2018 and 2017, respectively.

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An important monthly operational measure used in the mobile services 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. Management believes that this measure is helpful in assessing the development of the subscriber base of Personal services. The following table shows the reconciliation of total service revenues to such revenues included in the ARPU calculations of 2018:

	Year Ended December 31, 2018 (P\$ million)
Total service revenues	49,011
Components of service revenues not included in the ARPU calculation: Outcollect wholesale roaming, cell sites rental, Reconnection fees and others	(1,098)
Adjusted total service revenues included in the ARPU calculation	47,913
Average number of subscribers during the year (thousands)	18,665

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Internet services revenues amounted to P\$37,742 million in 2018 (equivalent to 22% of total consolidated revenues), increasing P\$18,388 million or +95% in relation to revenues as of December 31, 2017 and were driven mainly by the increase in the average plans prices, partially offset by a decrease in Cablevisión revenues derived from the effect of inflation adjustment under IAS29 as of December 31, 2018 vs. 2017. The broadband ARPU amounted to P\$762.0 per month in 2018 (-14.4% vs. 2017) this amount is restated for inflation under IAS29.

An amount of P\$6,872 million and P\$7,447 million related to the effect of inflation adjustment under IAS29 is included in internet services revenues as of December 31, 2018 and 2017, respectively.

An important monthly operational measure used in the internet services is ARPU, which we calculate by dividing adjusted total service revenues - excluding connection and rehabilitation fees 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 Internet's ARPU calculations presented in this Annual Report. Management believes that this measure is helpful in assessing the development of the subscriber base of Internet services. The following table shows the reconciliation of total service revenues to such revenues included in the ARPU calculations of 2018:

	Year Ended December 31, 2018 (P\$ million)
Total service revenues	37,742
Components of service revenues not included in the ARPU calculation: Connection and Reconnection fees and others	(386)
Adjusted total service revenues included in the ARPU calculation	37,356
Average number of subscribers during the year (thousands)	4,085

Cable Television Services

Cable TV service revenues amounted to P\$36,067 million (equivalent to 21% of total consolidated revenues), decreasing P\$3,847 million or 10% in relation to revenues as of December 31, 2017. The decrease is due to the effect of inflation adjustment under IAS29 as of December 31, 2018 and 2017, partially offset by increases in sales by increase in the number of customers of premium cable television services and increases in prices. The ARPU amounted to \$854.3 pesos per month in 2018, increasing 2.3% in relation to 2017, determined in amounts adjusted in terms of the current currency. The monthly average churn during 2018 amounted to 1.45%, in relation to 1.38%, as of December 2017.

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An amount of P\$6,677 million and P\$15,436 million related to the effect of inflation adjustment under IAS29 is included in cable television services revenues as of December 31, 2018 and 2017, respectively.

An important monthly operational measure used in the Cable Television services is ARPU, which we calculate by dividing adjusted total service revenues - excluding connection and administration fees, advertising services 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 Cable Television's ARPU calculations presented in this Annual Report. Management believes that this measure is helpful in assessing the development of the subscriber base of Internet services. The following table shows the reconciliation of total service revenues to such revenues included in the ARPU calculations of 2018:

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	Year Ended December 31, 2018 (P\$ million)
Total service revenues	36,067
Components of service revenues not included in the ARPU calculation: Connection, administrative fees, advertising and others	(248)
Adjusted total service revenues included in the ARPU calculation	35,819
Average number of subscribers during the year (thousands)	3,494

Fixed Telephony and Data Services

Telephony revenues generated by fixed telephony and data services amounted to P\$23,149 million (equivalent to 14% of total consolidated revenues) increasing P\$21,252 million or +1,120% in 2018 in relation to revenues as of December 31, 2017. The increase was mainly driven by the combination of Telecom and Cablevision's operations following the Merger. The increase is also due to the increase in monthly fees charged from both corporate and residential fixed telephony customers, and in greater sales of product packs that include voice and internet services (Arnet + Voz), that aim to achieve higher levels of customer loyalty and churn reduction.

As a result, the average monthly revenue billed per user (ARBU) of fixed telephony services amounts to P\$270.8 in 2018 (Telecom's ARBU).

Data revenues increased in the context of the Company's position as an integrated ICTs provider (Datacenter, VPN, among others) for wholesale and government customers. The increase was primarily due to the variation of the \$/US\$ exchange rate related to agreements settled in such foreign currency.

An amount of P\$4,050 million and P\$742 million related to the effect of inflation adjustment under IAS29 is included in fixed telephony and data services revenues as of December 31, 2018 and 2017, respectively.

Equipment

Equipment revenues increased P\$12,459 million to P\$12,834 million as compared to P\$375 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom and Cablevision's operations following the Merger.

An amount of P\$2,372 million and P\$259 million related to the effect of inflation adjustment under IAS9 is included in equipment revenues as of December 31, 2018 and 2017, respectively.

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Table of Contents**Operating costs (without depreciation, amortization and Impairment of PP&E and intangible assets)**

Total operating costs (without depreciation and amortization and impairment of PP&E and intangible assets) increased by P\$69,142 million totaling P\$111,678 million in 2018, representing a 163% increase as compared to 2017. The increase was driven by the combination of Telecom and Cablevision's operations following the Merger. The increase was mainly driven by employee benefit expenses and severance payments (which together totaled P\$30,048 million); fees for services, maintenance, materials and supplies (which totaled P\$16,261 million); taxes and fees with the Regulatory Authority (which totaled P\$13,609 million); programming and content costs (which totaled P\$12,156 million); and commissions and advertising (which totaled P\$11,210 million).

Operating costs (without depreciation and amortization and impairment of PP&E and intangible assets) include approximately P\$20,892 million and P\$16,750 million related to the effect of inflation adjustment under IAS29 of our financial information as of December 31, 2018 and 2017, respectively.

	Years Ended		%	Total Change
	2018	2017		
	December 31,			
	(P\$ million)			(P\$ million)
Employee benefit expenses and severance payments	30,048	11,665	158	18,383
Interconnection and transmission costs	5,525	1,311	321	4,214
Fees for services, maintenance, materials and supplies	16,261	7,254	124	9,007
Taxes and fees with the Regulatory Authority	13,609	4,859	180	8,750
Commissions and advertising	11,210	3,691	204	7,519
Cost of equipment and handsets	9,667	493	1,861	9,174
Programming and content costs	12,156	9,116	33	3,040
Bad debt expenses	3,527	901	291	2,626
Other operating income and expenses	9,675	3,246	198	6,429
Total operating costs				
(without depreciation, amortization and Impairment of PP&E and intangible assets)	111,678	42,536	163	69,142

Employee benefit expenses and severance payments

Employee benefit expenses and severance payments increased P\$18,383 million amounting to P\$30,048 million as of December 31, 2018 as compared to P\$11,665 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom and Cablevision's operations following the Merger (see Item 6 Directors, Senior Management and Employees Employees and Labor Relations) partially offset by the inflationary effect of restatement of Cablevisión figures. The headcount amounted to 25,343 employees at the end of 2018 compared to 11,384 at the end of 2017.

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An amount of P\$5,401 million and P\$4,478 million related to the effect of inflation adjustment under IAS29 is included in Employee benefit expenses and severance payments as of December 31, 2018 and 2017, respectively.

Interconnection and transmission costs

Interconnection and transmission costs (including charges for TLRD, Roaming, cost of international outbound calls and lease of circuits) increased P\$4,214 million amounting to P\$5,525 million as compared to P\$1,311 million as of December 31, 2018 and 2017, respectively. The increase was mainly driven by the combination of Telecom s and Cablevision s operations following the Merger.

An amount of P\$975 million and P\$497 million related to the effect of inflation adjustment under IAS29 is included in Interconnection and transmission costs as of December 31, 2018 and 2017, respectively.

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Fees for services, maintenance, materials and supplies

Fees for services, maintenance, materials and supplies increased P\$9,007 million or 124% to P\$16,261 million as of December 31, 2018 from P\$7,254 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom and Cablevision's operations following the Merger. There have been increases in fees for services, related to call centers and to higher professional fees driven by a higher level of activity and new projects and services linked to operational management in general. There were also higher technical, hardware and software maintenance costs due to the increase in prices, fluctuation of the exchange rate P\$/US\$ and the higher level of activity, partially offset by the inflationary effect of restatement of Cablevisión figures.

An amount of P\$3,147 million and P\$3,188 million related to the effect of inflation adjustment under IAS29 is included in Fees for services, maintenance, materials and supplies as of December 31, 2018 and 2017, respectively.

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority, including turnover tax, municipal taxes and other taxes, increased P\$8,750 million as of December 31, 2018, or 180%, amounting to P\$13,609 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom's and Cablevision's operations following the Merger. The increase is also due to the increase in sales, at nominal value, partially offset by the inflationary effect of restatement of Cablevisión figures.

An amount of P\$2,482 million and P\$1,875 million related to the effect of inflation adjustment under IAS29 is included in Taxes and fees with the Regulatory Authority as of December 31, 2018 and 2017, respectively.

Commissions and advertising

Commissions (including commissions paid to agents, prepaid card commissions and others) and advertising increased P\$7,519 million or 204%, amounting to P\$11,210 million as of December 31, 2018, as compare to P\$3,691 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom and Cablevision's operations following the Merger. Telecom paid higher commissions to commercial channels and collections fees. The increase is partially offset by the inflationary effect of restatement of Cablevisión figures.

An amount of P\$1,987 million and P\$1,428 million related to the effect of inflation adjustment under IAS29 is included in Commissions and advertising as of December 31, 2018 and 2017, respectively.

Cost of equipment and handsets

Cost of equipment and handsets sold increased P\$9,174 million to P\$9,667 million as of December 31, 2018 from P\$493 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom and Cablevision s operations following the Merger. The amount of 2018, mainly amounted to cost of mobile handsets sold in Argentina.

An amount of P\$2,409 million and P\$197 million related to the effect of inflation adjustment under IAS29 is included in Cost of equipment and handsets as of December 31, 2018 and 2017, respectively.

Programming and content costs

Programming and content costs increased P\$3,040 million to P\$12,156 million as of December 31, 2018 from P\$9,116 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom s and Cablevision s operations following the Merger. Also, the increase is explained by the incorporation of the cost of signals to broadcast live soccer matches of the first division of the Argentine Football Association and to price increases and fluctuations of the P\$/US\$ exchange rate, partially offset by the effect of inflation adjustment under IAS29 of Cablevisión figures.

An amount of P\$2,211 million and P\$3,501 million related to the effect of inflation adjustment under IAS29 is included in Programming and content costs as of December 31, 2018 and 2017, respectively.

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Bad debt expenses increased P\$2,626 million amounting to P\$3,527 million as of December 31, 2018, representing approximately 2.1% and 1.4% of the consolidated revenues in 2018 and 2017, respectively. The increase was mainly driven by the combination of Telecom s and Cablevision s operations following the Merger. The increase includes the impact of P\$367 million generated by the application of IFRS 9 since January 1, 2018.

An amount of P\$620 million and P\$344 million related to the effect of inflation adjustment under IAS29 is included in Bad debt expenses as of December 31, 2018 and 2017, respectively.

Adjusted EBITDA

An important operational performance measure used by the Company's Chief Operating Decision Maker (as this term is defined in IFRS 8) is Adjusted EBITDA. Adjusted EBITDA is defined as our net (loss) income less income taxes, financial results, Earnings from associates, depreciation, amortization and impairment of PP&E. We believe Adjusted EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations such as capital structures, taxation and the useful lives and book depreciation and amortization of PP&E and intangible assets, which may vary for different companies for reasons unrelated to operating performance. Although Adjusted EBITDA is not a measure defined in accordance with IFRS (a non-GAAP measure), our Management believes that this measure facilitates operating performance comparisons from period to period and provides useful information to investors, financial analysts and the public in their evaluation of our operating performance. Adjusted EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies.

The following table shows the reconciliation of Net income to Adjusted EBITDA:

	Years Ended December 31,		%	Total Change
	2018	2017		
	(P\$ million)			
Net income	5,536	9,859	(44)	(4,323)
Income tax benefit (expense)	2,838	(5,516)	n/a	8,354
Other financial results, net	15,177	930	n/a	14,247
Debt financial expenses	(33,972)	(217)	n/a	(33,755)
Earnings from associates	236	353	(33)	(117)
Operating income	21,257	14,309	49	6,948
Depreciation, amortization and Impairment of PP&E and intangible assets	(35,111)	(9,804)	258	(25,307)
Adjusted EBITDA	56,368	24,113	134	32,255

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Our consolidated Adjusted EBITDA was P\$56,368 million in 2018, (representing an increase of P\$32,255 million or 134% from P\$24,113 million in 2017). It represented 33.5% and 36.2% of our total consolidated revenues in 2018 and 2017, respectively. The increase can be largely attributed to the incorporation of Telecom s revenues and operating costs in 2018.

Depreciation, Amortization and Impairment of PP&E and intangible assets

Depreciation, amortization and impairment of PP&E and intangible assets increased P\$25,307 million to P\$35,111 million as of December 31, 2018 from P\$9,804 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom and Cablevision s operations following the Merger. The charges for depreciation of PP&E and amortization of intangible assets amount to P\$33,021 million and P\$9,804 million, as of December 31, 2018 and 2017, respectively.

An amount of P\$12,942 million and P\$5,818 million related to the effect of inflation adjustment under IAS 29 is included in depreciation, amortization and impairment of PP&E and intangible assets, as of December 31, 2018 and 2017; respectively.

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Table of Contents**Operating income**

During 2018, consolidated operating income was P\$21,257 million, representing an increase of P\$6,948 million or 49% from 2017. Operating income represented 12,6% and 21,5% of consolidated revenues in 2018 and 2017, respectively.

	Years Ended December 31,		% of Change 2018-2017 Increase/(Decrease)
	2018	2017	
	(P\$ million / %)		
Adjusted EBITDA (1)	56,368	24,113	134
<i>As % of revenues</i>	34	36	
Depreciation, amortization and Impairment of PP&E	(35,111)	(9,804)	258
<i>As % of revenues</i>	(21)	(15)	
Operating income	21,257	14,309	49
<i>As % of revenues</i>	13	21	

(1) Adjusted EBITDA is a non-GAAP measure. See the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA .

Financial Results, net

Financial results, net resulted in a net loss of P\$18,795 million, representing a higher loss of P\$19,508 million from a gain of P\$713 million as of December 31, 2017. The increase was mainly driven by the combination of Telecom and Cablevisión s operations following the Merger. The variation in Financial Results, is also due to higher foreign currency exchange net losses due to an 102.2% depreciation of the peso against the US\$ during 2018 compared to a 17.5% depreciation of the peso against the US\$ in 2017, and higher financial debt losses net amounting to P\$1,429 million.

On the other hand, the result is included due to exposure to inflation net monetary results, which amounts to P\$13,403 million and P\$1,907 million, approximately, as of December 31, 2018 and 2017, respectively.

Income tax benefit (expense)

Income tax benefit (expense) amounted to P\$2,838 million and P\$(5,516) million in 2018 and 2017, respectively.

The Company s income tax charge includes two effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; and (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. These two effects also consider the change in applicable statutory income tax rate.

- (i) Regarding current tax expenses, Telecom's generated tax profit in fiscal year 2017, resulting in an income tax payable of P\$4,819 million.
- (ii) Regarding the deferred tax, in 2018 and 2017, Telecom's recorded a deferred tax gain of P\$2,838 million and a loss of P\$697 million, respectively. The gain in 2018 correspond to the tax loss carryforward recognized mainly due to higher foreign currency exchange net losses due to an 102.2% depreciation of the peso against the US\$ during 2018.

Net Income

Telecom Argentina recorded a net income of P\$5,536 million in 2018, which means a decrease of P\$4,323 million in relation to the income of P\$9,859 million in December 31, 2017, representing 3.3% of the consolidated revenues (vs. 14.8% in 2017). Net income attributable to controlling shareholders amounted to P\$5,294 million in 2018 vs. an income of P\$9,731 million as of December 31, 2017.

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	Years Ended		%	Total Change
	2017	December 31, 2016		
	(P\$ million)			(P\$ million)
Revenues	66,649	60,405	10	6,244
Operating costs (without depreciation, amortization and Impairment of PP&E)	(42,536)	(40,206)	6	(2,330)
Adjusted EBITDA(1)	24,113	20,199	19	3,914
Depreciation, amortization and Impairment of PP&E	(9,804)	(7,883)	24	(1,921)
Operating income	14,309	12,316	16	1,993
Earnings from associates	353	221	60	132
Debt financial expenses	(217)	(595)	(64)	378
Other financial results, net	930	4,619	(80)	(3,689)
Income tax benefit (expense)	(5,516)	(6,015)	(8)	499
Net income	9,859	10,546	(7)	(687)
Net income attributable to:				
Telecom Argentina (Controlling Company)	9,731	10,457	(7)	(726)
Non-controlling interest	128	89	44	39

(1) Adjusted EBITDA is a non-GAAP measure. See the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA .

Revenues

	Years Ended		%	Total Change
	2017	December 31, 2016		
	(P\$ million)			(P\$ million)
Mobile Services	4,274	7,736	(45)	(3,462)
Internet Services	19,354	13,789	40	5,565
Cable Television Services	39,914	36,929	8	2,985
Fixed and Data Services	1,897	996	90	901
Other services revenues	835	712	17	123
Service Revenues	66,274	60,162	10	6,112
Equipment revenues	375	243	54	132
Revenues	66,649	60,405	10	6,244

During 2017, total consolidated revenues increased by 10% to P\$66,649 million from P\$60,405 million in 2016, mainly driven by revenues the internet services and premium cable TV services.

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An amount of P\$25,712 million and P\$29,866 million related to the effect of inflation adjustment under IAS 29 is included in Revenues, as of December 31, 2017 and 2016; respectively.

Consolidated service revenues for 2017 and 2016 are comprised as follows:

Mobile Services

Mobile services revenues amounted to P\$4,274 million as of December 31, 2017, representing a decrease of P\$3,462 million or -45% as compare to December 31, 2016. The decrease is mainly due to the 35.1% reduction in the number of IDEN subscribers.

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Internet Services

Internet services revenues amounted to P\$19,354 million, representing an increase of P\$5,565 million or +40% as compared to P\$13,789 million in 2016, mainly driven by a 7.4% increase in the number of broadband Internet subscribers compared to the same period in 2016, the fastest speed options offered to our customers and the increase in the average plan prices.

An amount of P\$7,447 million and P\$6,823 million related to the effect of inflation adjustment under IAS 29 is included in Internet service revenues, as of December 31, 2017 and 2016; respectively.

In 2017, total ARPU was P\$ 890.1; representing an increase of 20.5% compared to 2016.

Cable Television Services

Cable television service revenues increased 8%, from P\$36,929 million in 2016 to P\$39,914 million in 2017. That increase is due to: (i) a 31.1% increase in the average amount of the invoice, as a consequence of the increases according to the price policy and (ii) an increase of 15.3% in the amount of active decoders (HD, digital, Flow) (iii) net of a slight decrease in the number of total subscribers.

An amount of P\$15,436 million and P\$18,273 million related to the effect of inflation adjustment under IAS 29 is included in Cable Television Services, as of December 31, 2017 and 2016, respectively.

Fixed and Data Services

Fixed and Data Services revenues amounted to P\$1,897 million as of December 31, 2017, representing an increase of P\$901 million or +90% as compare to December 31, 2016.

Operating costs (without depreciation, amortization and impairment of PP&E)

Total operating costs (without depreciation and amortization and impairment of PP&E) increased by P\$2,330 million totaling P\$42,536 million in 2017, representing a 6% increase as compared to 2016. The increase was mainly driven by employee benefit expenses and severance payments (which together totaled P\$11,665 million); taxes and fees with the Regulatory Authority (which totaled P\$4,859 million); programming and content costs (which totaled P\$9,116 million); and commissions and advertising (which totaled P\$3,691 million).

An amount of P\$16,750 million and P\$20,527 million related to the effect of inflation adjustment under IAS 29 is included in Operating costs (without depreciation and amortization and impairment of PP&E), as of December 31, 2017 and 2016; respectively.

	Years Ended December 31,		%	Total Change	
	2017 (P\$ million)	2016		(P\$ million)	
Employee benefit expenses and severance payments	11,665	10,603	10	1,062	
Interconnection and transmission costs	1,311	1,360	(4)	(49)	
Fees for services, maintenance, materials and supplies	7,254	7,912	(8)	(658)	
Taxes and fees with the Regulatory Authority	4,859	4,341	12	518	
Commissions and advertising	3,691	3,464	7	227	
Cost of equipment and handsets	493	882	(44)	(389)	
Programming and content costs	9,116	7,778	17	1,338	
Bad debt expenses	901	741	22	160	
Other operating income and expenses	3,246	3,125	4	121	
Total operating costs (without depreciation, amortization and Impairment of PP&E)	42,536	40,206	6	2,330	

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Employee benefit expenses and severance payments

Employee benefit expenses and severance payments increased P\$1,062 million or 10% amounting to P\$11,665 million as of December 31, 2017. The increase was mainly due to increases in salaries and, to a lesser extent, increases in headcount.

An amount of P\$4,478 million and P\$5,215 million related to the effect of inflation adjustment under IAS 29 is included in Employee benefit expenses and severance payments, as of December 31, 2017 and 2016; respectively.

Interconnection and transmission costs

Interconnection and transmission costs (including charges for TLRD, Roaming, cost of international outbound calls and lease of circuits) decreased P\$49 million to P\$1,311 million.

An amount of P\$497 million and P\$669 million related to the effect of inflation adjustment under IAS 29 is included in interconnection and transmission costs, as of December 31, 2017 and 2016; respectively.

Fees for services, maintenance, materials and supplies

Fees for services, maintenance, materials and supplies decreased P\$658 million to P\$7,254 million as of December 31, 2017. The decrease is mainly due to the more significant accounting impact of the restatement of our financial information on our revenues during the year 2016 compared to our revenues during the year 2017, partially offset by increases in fees for services related to maintenance net costs.

An amount of P\$3,188 million and P\$4,580 million related to the effect of inflation adjustment under IAS 29 is included in Fees for services, maintenance, materials and supplies, as of December 31, 2017 and 2016; respectively.

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority, including turnover tax, municipal taxes and other taxes increased P\$518 million to P\$4,859 million as of December 31, 2017. This increase is mainly due to the increase in revenues. Public services and tax rates represented 7.3% and 7.2% of our revenues during 2017 and 2016, respectively.

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An amount of P\$1,875 million and P\$2,145 million related to the effect of inflation adjustment under IAS 29 is included in Taxes and fees with the Regulatory Authority, as of December 31, 2017 and 2016; respectively.

Commissions and advertising

Commissions and advertising increased P\$227 million to P\$3,691 million as of December 31, 2017. The increase in the commissions fees is mainly due to the increase in revenues. The increase in advertising is related to the costs of advertising suppliers.

An amount of P\$1,428 million and P\$1,704 million related to the effect of inflation adjustment under IAS 29 is included in Commissions and advertising, as of December 31, 2017 and 2016; respectively.

Cost of equipment and handsets

Cost of equipment and handsets sold decreased P\$389 million to P\$493 million as of December 31, 2017. This decrease in the cost of equipment was due to lower costs of corporate business projects.

An amount of P\$197 million and P\$436 million related to the effect of inflation adjustment under IAS 29 is included in Cost of equipment and handsets, as of December 31, 2017 and 2016; respectively.

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Programming and content costs

Programming costs increased P\$1,338 million to P\$9,116 million as of December 31, 2017. This increase is mainly due to the increase in subscription rates on all of its platforms and the incorporation of the cost of the football signals to see all the matches of the First Division of the Argentine Football Association (AFA) live. Programming costs represented the 23% and 21% of Cable TV revenues as of December 31, 2017 and 2016, respectively. The programming contracts are not significantly affected by the devaluation, they are mainly denominated in pesos and are positively correlated with the growth of our subscriber base and the fees charged to our subscribers.

An amount of P\$3,501 million and P\$3,847 million related to the effect of inflation adjustment under IAS 29 is included in Programming costs, as of December 31, 2017 and 2016; respectively.

Bad debt expenses

Bad debt expenses increased P\$160 million to P\$901 million as of December 31, 2017, representing approximately 1.4% and 1.2% of the consolidated revenues as of December 31, 2017 and 2016, respectively.

An amount of P\$344 million and P\$365 million related to the effect of inflation adjustment under IAS 29 is included in Bad debt expenses, as of December 31, 2017 and 2016; respectively.

Adjusted EBITDA

An important operational performance measure used by the Company's Chief Operating Decision Maker (as this term is defined in IFRS 8) is Adjusted EBITDA. Adjusted EBITDA is defined as our net (loss) income less income taxes, financial results, Earnings from associates, depreciation, amortization and impairment of PP&E. We believe Adjusted EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations such as capital structures, taxation and the useful lives and book depreciation and amortization of PP&E and intangible assets, which may vary for different companies for reasons unrelated to operating performance. Although Adjusted EBITDA is not a measure defined in accordance with IFRS (a non-GAAP measure), our Management believes that this measure facilitates operating performance comparisons from period to period and provides useful information to investors, financial analysts and the public in their evaluation of our operating performance. Adjusted EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies.

The following table shows the reconciliation of Net income to Adjusted EBITDA:

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	Years Ended December 31,		%	Total Change
	2017	2016		
	(P\$ million)			
Net income	9,859	10,546	(7)	(687)
Income tax benefit (expense)	(5,516)	(6,015)	(8)	499
Other financial results, net	930	4,619	(80)	(3,689)
Debt financial expenses	(217)	(595)	(64)	378
Earnings from associates	353	221	60	132
Operating income	14,309	12,316	16	1,993
Depreciation, amortization and Impairment of PP&E	(9,804)	(7,883)	24	(1,921)
Adjusted EBITDA	24,113	20,199	19	3,914

Our consolidated Adjusted EBITDA was P\$24,113 million in 2017, (representing an increase of P\$3,914 million or 19% from P\$20,199 million in 2016). It represented 36% and 33% of total consolidated revenues in 2017 and 2016, respectively.

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Table of Contents**Depreciation, Amortization and Impairment of PP&E**

Depreciation, amortization and impairment of PP&E increased P\$1,921 million to P\$9,804 million as of December 31, 2017, mainly due to more investments in infrastructure and switching and transmission equipment.

An amount of P\$5,818 million and P\$5,291 million related to the effect of inflation adjustment under IAS 29 is included in Depreciation, amortization and impairment of PP&E, as of December 31, 2017 and 2016; respectively.

Operating income

During 2017, consolidated operating income was P\$14,309 million, representing an increase of P\$1,993 million or 16% from 2016. Operating income represented 21% and 20% of consolidated revenues in 2017 and 2016, respectively.

	Years Ended December 31,		% of Change
	2017	2016	2017-2016
	(P\$ million / %)		Increase/(Decrease)
Adjusted EBITDA (1)	24,113	20,199	19
<i>As % of revenues</i>	36	33	
Depreciation, amortization and Impairment of PP&E	(9,804)	(7,883)	24
<i>As % of revenues</i>	(15)	(13)	
Operating income	14,309	12,316	16
<i>As % of revenues</i>	21	20	

(1) Adjusted EBITDA is a non-GAAP measure. See the purpose of use of adjusted EBITDA and reconciliation of net income to adjusted EBITDA in section Adjusted EBITDA .

Financial Results, net

Financial results, net resulted in a net gain of P\$713 million as of December 31, 2017, representing a decrease of P\$3,311 million from a gain of P\$4,024 million as of December 31, 2016.

On the other hand, the result is included due to exposure to inflation, which amounts to P\$1,907 million and P\$5,547 million, approximately, as of December 31, 2017 and 2016, respectively.

Income tax benefit (expense)

Income tax expense amounted to P\$5,516 million and P\$6,015 million in 2017 and 2016, respectively.

The Company's income tax charge includes two effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; and (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.

(i) Regarding current tax expenses, Telecom's generated tax profit in fiscal year 2017, resulting in an income tax payable of P\$4,819 million versus P\$4,405 million in 2016. (ii) Regarding the deferred tax, in 2017 and 2016, Telecom's recorded a deferred tax loss of P\$697 million and P\$1,610 million, respectively.

Net Income

Telecom Argentina recorded a net income of P\$9,859 million as of December 31, 2017, which means a decrease of P\$687 million in relation to the Net income of P\$10,546 million as of December 31, 2016, representing 15% and 17% of the consolidated revenues as of December 31, 2017 and 2016, respectively. Net income attributable to controlling shareholders amounted to P\$9,731 million and P\$10,457 million as of December 31, 2017 and 2016, respectively.

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Liquidity and Capital Resources

Sources and Uses of Funds

We expect that the main source of Telecom Argentina's liquidity in the near term will be cash flows from Telecom Argentina's operations and cash flows from financing from third parties, which may include accessing to domestic and international capital markets and obtaining financing from first class financial institutions. Telecom Argentina's principal uses of cash flows are expected to be for capital expenditures, operating expenses, dividend payments to its shareholders, payments of financial debt and for general corporate purposes. Telecom Argentina expects working capital, funds generated from operations, dividend payments from its subsidiaries and financing from third parties to be sufficient for its present requirements.

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 General Ordinary Shareholders' Meeting of Telecom Argentina held on December 28, 2017 approved the Global Notes Program, up to a maximum outstanding amount as of the date of issuance of each class or series of US\$3,000 million or its equivalent in other currencies for a maximum term of five years.

Also, 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. Personal's Ordinary Shareholders' Meeting held on May 26, 2016 authorized to extend the due date of the Program until October 31, 2021, and to expand the Program's maximum circulation amount to US\$1,000 million or its equivalent in other currencies. On October 20, 2016, the CNV authorized the extension and expansion of the aforementioned Program through Resolution No. 18,277.

Under this program, on December 10, 2015, Telecom Personal has successfully completed the issuance of Series I and Series II notes for a total nominal value of P\$720.5 million. Additionally, on November 16, 2016 Telecom Personal also completed the issuance of Series III and Series IV notes for a total nominal value of almost P\$722.0 million (amount expressed in currency of that date) and US\$77.9 million, respectively. See Debt Obligations and Debt Service Requirements below.

Additionally, during October 2016 Personal and the IFC signed a loan agreement for an amount of US\$ 400 million. Also, on April 7, 2017 Personal and the IIC subscribed a loan agreement for an amount of US\$ 100 million maturing in September 2022.

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On February 2, 2018, we entered into the Term Loan with a consortium of international banks for an aggregate principal amount of US\$1,000 million and with a 12-month tenor. On February 9 and March 9, 2018, the Company borrowed US\$650 million and US\$350 million (the Loans), respectively, under the Term Loan. On October 8, 2018, the Company entered into certain amendments to the terms of the Term Loan. The Loans were paid in full in February 2019. The proceeds of the Loans were used to finance capital expenditures, working capital and other general corporate purposes.

On October 8, 2018, the Company entered into the Syndicated Loan for an amount of up to US\$500 million and with a 48-month tenor. On October 17, 2018 we received a borrowing under the Syndicated Loan for an amount of US\$500 million. Those funds were used to partially prepay the Term Loan. Additionally, as a condition precedent to the execution of the Syndicated Loan, we and the remaining parties to the Term Loan entered into an amendment to the Term Loan, which contemplated a mandatory prepayment for an amount of US\$100 million so that the outstanding aggregate principal amount under the Term Loan, after taking into account any prepayment made with the proceeds from the Syndicated Loan, did not exceed US\$400 million on the date of receipt of such advances. The aforementioned mandatory prepayment was completed on October 17, 2018. The Syndicated Loan accrues compensatory interest at a rate per annum equal to LIBOR plus the following margin: 4.50 percentage points during the first year as from the borrowing date, 5.00 percentage points, during the second year and 5.25 percentage points from the date that is two years after the borrowing date to the expiration date; and will be payable quarterly, in arrears. On February 11, 2019, we entered into certain amendments to the terms of the Syndicated Loan.

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Finally, on November 8, 2018, the Company entered into the DB Loan with Deutsche Bank, London Branch, as organizer of a syndicate of banks, for an amount of up to US\$200 million (which might be increased up to US\$300 million subject to the prior written consent of Deutsche Bank, London Branch, as initial lender). On November 14, 2018 we received a disbursement under the DB Loan for an amount of US\$200 million. On November 14, 2018, in accordance with the provisions of the DB Loan, a new entity became a lender under the DB Loan for an amount of up to US\$100 million, subject to the same terms and conditions. On November 20, 2018 we received an additional disbursement under the DB Loan for an amount of US\$100 million. The DB Loan has a term of 42 months counted from the date of the initial borrowing and will accrue compensatory interest at an initial rate per annum equivalent to LIBOR plus 4.5% that will be payable quarterly, in arrears. The capital will be payable in six consecutive semi-annual equal installments equivalent to 12.5% of the disbursed amount with a final payment on the maturity date equivalent to 25% of the initial borrowing. The proceeds from the DB Loan were used to partially prepay the Term Loan.

On October 30, 2018, within the framework of its permanent optimization policy for the term, rate and structure of its financial liabilities Telecom Argentina has accepted a proposal from the International Finance Corporation (IFC) for the evaluation and mobilization of funds with for the purpose of financing investment needs, working capital and refinancing of liabilities. On March 4, 2019 the Company signed a loan agreement with IFC for a total amount of up to US\$450 million, as requested in a timely manner by the Company in one or more disbursements (the Loan). The Loan will consist of a tranche A , a tranche B-1 , a tranche B-2 , a tranche B-3 and a tranche B-4 which will accrue compensatory interest payables semiannually for periods that are due at an annual rate equal to LIBOR plus the following margins: 4.85 percentage points in the case of Tranche A, Tranche B-2 and Tranche B-4, and 4.60 percentage points in the case of Tranche B-1 and Tranche B-3. Likewise, the capital will be payable as follows: Tranche A, Tranche B-2, and Tranche B-4 in eight consecutive semi-annual equal installments from February 2021 and final maturity in August 2024 and Tranche B-1 and Tranche B-3 in six consecutive semi-annual equal installments from February 2021 and final maturity in August 2023. The proceeds from the loan will be used to finance capital investments for 2019.

On March 4, 2019, we entered into a loan agreement with the IFC. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Bank and other financial entity loans.

We do not expect any implications on the sources of liquidity and the sources of funds as a result of the Reorganization.

The table below summarizes, for the years ended December 31, 2018, 2017 and 2016, Telecom s consolidated cash flows:

	2018	Years ended December 31, 2017 (P\$ million)	2016
Cash flows provided by operating activities	42,426	22,808	25,984
Cash flows used in investing activities	(31,285)	(17,083)	(23,920)
Cash flows used in financing activities	(14,597)	(4,105)	(2,213)
Net foreign exchange differences and RECPAM on cash and cash equivalents	3,830	57	924
(Decrease)/Increase in cash and cash equivalents	(3,456)	1,620	(149)
Cash and cash equivalents at the beginning of the year	6,517	4,840	4,065
Cash and cash equivalents at the end of the year	6,891	6,517	4,840

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As of December 31, 2018, 2017 and 2016, we had P\$6,891 million, P\$6,517 million and P\$4,840 million in cash and cash equivalents, respectively.

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Cash flows from operating activities were P\$42,426 million, P\$22,808 million and P\$25,984 million in 2018, 2017 and 2016, respectively. The increase is mainly driven by the combination of Telecom and Cablevision's operation following the merger.

Cash flows used in investing activities were P\$31,285 million, P\$17,083 million and P\$23,920 million in 2018, 2017 and 2016, respectively. The increase in 2018 was mainly due to an increase in PP&E capital expenditures, partially offset by cash and cash equivalent incorporated by the merger and higher acquisitions of Government Bonds and investment not considered as cash and cash equivalents. The decrease in 2016 was mainly due to a decrease in acquisitions in shareholdings.

Cash flows used in financing activities were P\$14,597 million in 2018, while cash flows provided by financing activities were P\$4,105 million 2017 and P\$2,213 million in 2016. The increase in 2018 was mainly due to higher dividend payments, partially offset by higher proceeds from financial debt.

NDF and US Dollar bonds

- LIBOR Hedges

During 2017, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of LIBOR from the IFC loan amounting to US\$400 million. The agreements effective from March 15, 2017 hedge an amount of US\$300 million, while those effective from September 15, 2017 hedge the outstanding US\$100 million. Such NDF allow fixing the variable rate all along the loan term in a range between 2.087% and 2.4525% nominal annual rate (resulting in a weight average of 2.2258%).

As of December 31, 2018, Telecom recognized a receivable of P\$137 million, which is included in other receivables (P\$98 million current and P\$39 million non-current). Additionally, during the year ended December 31, 2018, Telecom recognizes gains of P\$3 million related to those contracts that are included in Debt financial expenses in Financial results.

During 2017, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of LIBOR from the International Finance Corporation loan amounting to US\$100 million. The agreements hedge an amount of US\$40 million and were agreed in two tranches of US\$20 million each one, both of them starting on March 15, 2018 and fixing the variable rate all along the term of the loan to 2.1325% and 2.085% nominal annual rate, respectively.

As of December 31, 2018, Telecom recognized a receivable of P\$18 million, which is included in other receivables (P\$12 million current and P\$6 million non-current). Additionally, during the year ended December 31, 2018, Telecom recognizes gains of P\$4 million related to those agreements, that are included in Debt financial expenses in Financial results.

- Exchange rate Hedges

During 2017, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of the exchange rate from the International Finance Corporation loan amounting to US\$53.5 million fixing the average exchange rate in \$18.30 pesos per dollar, expiring between February and April 2018. During first half of 2018, some NDF agreements expire, recognizing a gain of P\$77 million including in Exchange differences in Financial results.

During 2018, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of the exchange rate from its loan portfolio (International Finance Corporation, Syndicated, Deutsche Bank and Notes Series IV) amounting to US\$306 million fixing the average exchange rate in \$36.58 pesos/US\$, expiring between June 2018 and May 2019. During 2018, Telecom recognized gains related to these agreements of P\$1,039 million that are included in Foreign currency exchange gains in Financial Results, net. As of December 31, 2018, Telecom maintains NDF agreements for a total of US\$166 million for those that has recognized a receivable of P\$640 million, which is included in Other receivables current and a liability of P\$100 million which is included in Financial Debt current.

On the other hand, during 2017, Telecom Argentina entered into agreements (NDF) to hedge exchange rate fluctuations of certain commercial obligations for an amount of US\$6.3 million, with an average exchange rate of 18.94 pesos per dollar, maturing in March and August 2018. For such agreements, Telecom has recognized gains of P\$22 million that are included in Foreign currency exchange gains in Financial Results, net.

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In 2018, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of the exchange rate of certain commercial obligations for an amount of US\$118 million fixing the average exchange rate in \$39.33 pesos/US\$ expiring between August and October 2018. For these NDF agreements has recognized losses of P\$152 million that are included in Foreign currency exchange gains in Financial Results, net.

Additional information regarding Financial Instruments is set forth in Note 21 to our Consolidated Financial Statements.

Debt Obligations and Debt Service Requirements

The Indebtedness of Telecom Argentina as of December 31, 2018 was as follows:

Bank and other financial entity loans

- On July 5, 2016, Personal (entity absorbed by Telecom Argentina) accepted an offer from the IFC for the assessment and transfer of funds for purposes of financing investment needs, working capital and debt refinancing for an amount of up to US\$400 million.

In October 2016, Personal and the IFC signed the loan agreement (IFC Loan) for an amount of US\$400 million and for a six-year period, payable in eight equal half-yearly installments since the 30th month, with a 6-month LIBO rate + 400bp. This loan was used to deploy the 4G network and refinance short-term financial liabilities. The loan is denominated in US dollars and its terms include standard commitments for this type of financial transaction (on October 26, 2016, Personal received US\$ 392.5 million, equivalent to P\$5,961 million as of the date of the disbursement).

As of December 31, 2018, the outstanding amount for this loan is US\$400 million equivalent to P\$15,080 million.

- Additionally, in April 2017, Personal and the Inter-American Investment Corporation (IIC), a member of the Inter-American Development Bank (IDB) Group, signed a loan agreement (IIC Loan) for an amount of US\$100 million and with maturity date on September 2022, payable in 8 equal half-yearly installments since the 24th month, with a 6 month LIBO rate + 400bp. The funds of this loan will be allocated to deploy the 4G network and for financing working capital and other financial needs. The loan is denominated in US dollars and its terms include standard commitments and covenants for this type of financial transactions (on September 18, 2017 Personal received US\$ 100 million, equivalent to P\$1,749 million as of the date of the disbursement, that net of expenses amounted to P\$1,723 million).

As of December 31, 2018, the outstanding amount for this loan is US\$100 million equivalent to P\$3,770 million.

- As of December 2018, the Company maintains other bank loans denominated in US dollars equivalent to P\$667 million as detailed below:

- US\$4.5 million in a loan agreement with the Bank ICBC for financing imports, accruing interest at an annual rate of 6.0%, due in January 2022,

- US\$3.2 million in a loan agreement with the Bank Itaú for financing imports, accruing interest at an annual rate of 5.0%, due in February 2020, and

- US\$10.0 million in a loan agreement with the Bank Macro for financing imports accruing interest at an annual rate of 6.2%, due in August, 2019.

- On October 30, 2018, within the framework of its permanent optimization policy for the term, rate and structure of its financial liabilities Telecom Argentina has accepted a proposal from the International Finance Corporation (IFC) for the evaluation and mobilization of funds with for the purpose of financing investment needs, working capital and refinancing of liabilities. On March 4, 2019 the Company signed a loan agreement with IFC for a total amount of up to US\$450 million, as requested in a timely manner by the Company in one or more disbursements (the Loan). The Loan will consist of a tranche A , a tranche B-1 , a tranche B-2 , a tranche B-3 and a tranche B-4 will accrue compensatory interest payables semiannually for periods that are due at an annual rate equal to LIBOR plus the following margins: 4.85 percentage points in the case of Tranche A, Tranche B-2 and Tranche B-4, and 4.60 percentage points in the case of Tranche B-1 and Tranche B-3. Likewise, the capital will be payable as follows in US dollars: Tranche A, Tranche B-2, and Tranche B-4 in eight consecutive semi-annual equal installments from February 2021 and final maturity in August 2024 and Tranche B-1 and Tranche B-3 in six consecutive semi-annual equal installments from February 2021 and final maturity in August 2023. The proceeds of the Loans will be used to finance capital expenditures in 2019.

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Deutsche Bank Loan

On November 8, 2018, the Company acknowledged the acceptance by Deutsche Bank AG, London Branch, as organizer of a syndicate of banks, of a loan facility for an amount of up to US\$200 million (which might be increased up to US\$300 million). On November 14, 2018 the Company acknowledged the acceptance of the extension of the loan offer by Deutsche Bank AG, London Branch, for US\$100 million.

The Deutsche Bank Loan has a term of 42 months counted from the date of the initial borrowing and will accrue compensatory interest at an initial rate per annum equivalent to LIBOR plus 4.5% that will be payable quarterly, in arrears. The capital will be payable in six consecutive semi-annual equal installments in US dollars equivalent to 12.5% of the disbursed amount with a final payment on the maturity date equivalent to 25% of the initial borrowing.

The proceeds from the Deutsche Bank Loan were used by the Company only to partially prepay the Syndicated Loan.

As of December 31, 2018, the outstanding amount for this loan is US\$300 million equivalent to P\$11,310 million.

Syndicated Loan

- On January 2018, the Board of Directors of the Company approved the execution of a syndicated loan agreement with several banks for up to a total of US\$1,000 million, which will accrue compensatory interest at an annual rate equal to LIBOR for each period of interest accrual plus an applicable margin.

On February 2, 2018, Telecom entered into a term loan agreement with Citibank, N.A., HSBC México, S.A., Multiple Banking Institution, Grupo Financiero HSBC, Industrial and Commercial Bank of China Limited, JPMorgan Chase Bank, N.A. y Banco Santander, S.A., in his capacity as a lender, Citigroup Global Markets Inc., HSBC México, S.A., Multiple Banking Institution, Grupo Financiero HSBC, Industrial and Commercial Bank of China Limited, JPMorgan Chase Bank, N.A. y Santander Investment Securities Inc. as organizers, Citibank N.A. as an administrative agent and the Branch of Citibank N.A. in Argentina, as a local custodian agent for an aggregate principal amount of US\$1,000 million (the Original Loan). On February 9 and March 9, 2018, the Company borrowed US\$650 million and US\$350 million, respectively, under the Term Loan Agreement, that matures in February 2019. The proceeds of the Loans were used to finance capital expenditures, working capital and other general corporate purposes. The Loan is denominated in US dollars and bear interest at an annual rate equivalent to LIBOR plus the following margins: 1.25 percentage points during the first four months, 1.50 percentage points, during the following two months, 1.75 percentage points during the following three months and 2.25 percentage points during the last three months prior to the maturity date. Interest is payable quarterly or semiannually, at the Company's option. The Company is permitted to make voluntary prepayments at any time without premium or penalty. The Company is required to make prepayments under the Loans (without payment of a premium). The Company is also required to prepay the Original Loan upon the occurrence of a change of control, at each lender's option.

- On October 2018, the Company entered into a new agreement with Citibank, N.A., HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, Industrial and Commercial Bank of China Limited,

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Dubai (DIFC) Branch, JPMorgan Chase Bank, N.A. and Banco Santander, S.A., in its capacity as lenders, Citibank, N.A., HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, JPMorgan Chase Bank, N.A. and Banco Santander, S.A. as organizers, Citibank N.A. as an administrative agent and the Citibank N.A. branch established in Argentina, as agent of local custody, for an aggregate principal amount of US\$ 500 million (which can be increased, in accordance with the terms and conditions thereof) and to 48 months of term (the Loan).

The disbursed capital will accrue compensatory interest at an annual rate equivalent to LIBOR plus the following margin: 4.50 percentage points during the first year after the disbursement, 5.00 percentage points, during the second year and 5.25 percentage points from the date that is two years after the disbursement and until the expiration date; and will be payable quarterly in arrears in US dollars. On February 11, 2019, we entered into certain amendments to the terms of the Syndicated loan.

The Company requested a disbursement of US\$500 million on October 2018. The funds were used to partially pre-pay the Original Loan.

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As of December 31, 2018, the outstanding amount for the Loan is US\$500 million equivalent to P\$18,837 million.

Additionally, in accordance with the provisions of the loan, the Company made an additional payment of US\$ 100 million of the Original Loan, (as a condition precedent to the execution of the loan, the Company and the remaining parties of the Original Loan had agreed to a mandatory pre-cancellation amount equivalent to at least US\$ 100 million). Subsequently, in November 2018, the Company used all the funds from Deutsche Bank Loan for US\$ 300 million to prepay the Original Loan. The balance owed by the Company of US\$ 100 million (P\$3,770 million as of December 31, 2018) was canceled on February 11, 2019, with its own funds.

On March 25, 2019, the Company partially prepaid the Loan for an amount of US\$100 million.

Núcleo:

As of December 31, 2018, Núcleo's outstanding debt (bank loans and bank overdrafts) is denominated in Guaraníes and amounted to approximately P\$2,204 million.

Additional information regarding terms and conditions of the Telecom Group's loans as of December 31, 2018 is set forth in Note 13 to our Consolidated Financial Statements.

Global Programs for issuance of Notes

Cablevisión

- On April 2016, at the Annual General Ordinary and Extraordinary Shareholders Meeting of Cablevisión, the shareholders of Cablevisión approved, among other matters: i) the extension of the authorization of the Cablevisión Global Notes Program, which had been granted at the Annual General Ordinary and Extraordinary Shareholders Meeting of Cablevisión on April 28, 2014, increasing the maximum amount of the outstanding notes that may be issued under this program from a nominal value outstanding at any time of US\$ 500,000,000 (or its equivalent in other currencies) to US\$ 1,000,000,000 (or its equivalent in other currencies). The Shareholders Meeting renewed the delegation on the Board of Directors of the broadest powers in connection with the Cablevisión Global Notes Program. The Board of Directors may subdelegate all or some powers interchangeably to one or more directors or managers of the Company; and ii) the extension of the authorization of the Short-Term Debt Securities (VCPs , for its Spanish acronym) program under the terms that had been originally approved.

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On June 2016, pursuant to its delegated powers, the Board of Directors of Cablevisión authorized the issuance of Class A Notes for a nominal value of US\$ 500,000,000 (the Class A Notes), at a fixed annual nominal interest rate of 6.50%, payable semi-annually in US dollars as from June 2016, with final maturity in June 2021. Proceeds will be used for:

- (i) The settlement of the outstanding debt as of that date;
- (ii) The investment in fixed assets and other capital expenditures with the balance of the net proceeds (approximately US\$ 89,100,000).

On December 2017, the holders of Class A Notes held an Extraordinary Noteholders Meeting with a quorum of 81.8621626 % of the total capital and votes under the Notes. At that Shareholders Meeting, the shareholders unanimously decided to approve the amendment and/or removal of certain clauses (or parts thereof) of the Indenture Agreement executed on June 15, 2016 between the Company, Deutsche Bank Trust Company Americas, Deutsche Bank S.A. and Deutsche Bank Luxembourg S.A. (the Indenture). As a result of this amendment, Telecom Argentina's covenants under the Notes include: (i) limitation on the issuance of guarantees by Telecom Argentina and its subsidiaries; (ii) merger by acquisition and consolidation, (iii) limitation on incurring debt above certain approved ratios, and (iv) limitation on the issuance and sale of significant subsidiaries shares with certain exceptions, among others, certain clauses that restricted sales of assets under certain conditions, certain payments and related party transactions under certain circumstances and the distribution of dividends, were eliminated

Cablevision Notes were assumed by Telecom Argentina on January 1, 2018 due to the Merger (Note 4.a to our Consolidated Financial Statements). For this purpose, Telecom Argentina, as successor of Cablevisión, the Deutsche Bank Trust Company Americas, as Trustee and Banco Comafi S.A., as trustee representative in Argentina, have signed a supplement to the Trust Agreement formalizing the absorption of the Notes of Cablevisión by Telecom Argentina.

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Until December 31, 2018, the Company had repurchased approximately US\$0.5 million (nominal value) of the Notes issued by Cablevisión. These transactions were executed at the quoted market price prevailing on each repurchase date, which did not significantly differ from the book value as of that date.

As of December 31, 2018, the outstanding amount for this loan is US\$499.5 million equivalent to P\$18,831 million.

Telecom Argentina

On December 28, 2017, Telecom Argentina held an General Ordinary Shareholders Meeting that approved the Telecom Global Notes Program for a maximum outstanding amount of US\$ 3,000 million or its equivalent in other currencies. The delegation of powers in the Board of Directors was also approved to determine and modify the terms and conditions of the Program as well as to establish the issuance opportunities.

Under the Telecom Global Notes Program, Telecom Argentina submitted a prospectus for the issuance of Notes to the CNV that was approved on April 24, 2018. Subsequently, on April 25, 2018, the CNV approved the prospectus supplement corresponding to the Notes. Class 1 for a nominal value of up to US\$ 500 million (extendable up to US\$ 1,000,000,000). This supplement was extended several times, finally expiring on August 3, 2018.

In accordance with the provisions governing the placement mechanism of the Notes provided in the Prospectus Supplement, Telecom Argentina decided to temporarily suspend, until further notice, the period of placement of the Notes. Telecom Argentina will publish a complementary notice to the prospectus supplement, announcing the date on which the offer period will be resumed and the award date.

Personal

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 authorized such Program, through Resolution No. 16,670.

Personal's Ordinary Shareholders Meeting held on May 26, 2016 authorized to extend the due date and expand the Program's maximum circulation amount up to US\$1,000 million or its equivalent in other currencies. On October 20, 2016, the CNV authorized the extension and expansion of the mentioned Program through Resolution No. 18,277.

Under such Program, Personal issued four Series of Notes. The net proceeds obtained were used for debt refinancing.

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Personal Notes were assumed by the Company on December 1, 2017 due to the Reorganization.

As of the date of issuance of these Annual Report, Telecom has canceled all Series issued on their respective expiration dates.

Loans for purchase of equipment

As of December 31, 2018, the Company has debt agreements denominated in US dollars corresponding to financing for the purchase of equipment of Cisco Systems, the which amounts to approximately US\$57.3 million (equivalent to P\$2,160 million). Such contracts have an average maturity term of between 36 and 49 months with partial repayments and accrue an average annual interest of 4.81%.

The balance of all the loans mentioned above amounts to P\$ 76,936 million as of December 31, 2018 (including accrued interest).

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The liquidity position of Telecom Argentina 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.

Telecom's working capital breakdown and its main variations are disclosed below:

	2018	2017 (P\$ million)	Variation
Trade receivables	17,415	2,588	14,827
Other receivables (not considering financial NDF)	4,323	1,223	3,100
Inventories	2,737	136	2,601
Current liabilities (not considering financial debt)	(33,401)	(17,238)	(16,163)
Operative working capital - negative	(8,926)	(13,291)	4,365
<i>As % of Revenues</i>	<i>5.3%</i>	<i>19.9%</i>	
Cash and cash equivalents	6,891	6,517	374
Financial NDF	750		750
Investments	1,371	162	1,209
Current financial debt	(20,044)	(1,383)	(18,661)
Net Current financial (liability) asset	(11,032)	5,296	(16,328)
Negative operating working capital (current assets less current liabilities)	(19,958)	(7,995)	(11,963)
Liquidity rate	0.63	0.57	0.06

Telecom and its subsidiaries have a typical working capital structure corresponding to a company with intensive capital that obtains spontaneous financing from its suppliers (especially PP&E) for longer terms than those it provides to its customers. According to this, the negative operating working capital amounted to P\$8,296 million as of December 31, 2018 (decreasing P\$4,365 million vs. December 31, 2017) mainly due to the dividend payments of Cablevision on January, 2018, declared in December, 2017.

During years ended December 31, 2017 and 2018, Telecom continued obtaining funds to the financial market (See Note 13 to our Consolidated Financial Statements), used to pay its investments, operative working capital, and other corporate expenses and refinancing part of its financial debts in the framework of its permanent policy of optimizing the term, rate and structure of its financial debts. Telecom has an excellent credit rating. The Company has several financing sources and several offers from first-class international institutions to diversify its current funding structure, which includes accessing to domestic and international capital market and obtaining competitive bank loans in what relates to terms and financial costs.

The Company's management evaluates the national and international macroeconomic context to take advantage of market opportunities that allows it preserving its financial health for the benefit of its investors.

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Telecom manages its cash and cash equivalents and its financial assets trying to match the term of investments with those of its obligations. Cash and cash equivalents position is invested in highly liquid short-term instruments.

Telecom maintains a liquidity policy that includes cash through its normal course of business. Telecom and its subsidiaries have consolidated cash and cash equivalents amounting to P\$6,891 million as of December 31, 2018 (P\$6,517 million as of December 31, 2017). Telecom has bank credits and a program of Notes that allow to finance its short-term obligations and an investment plan in addition to the operative cash flow for the next years (see Note 13 to our Consolidated Financial Statements).

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Dividend payments

On December 18, 2017, Cablevisión S.A. informed the declaration of dividends of P\$4,077,790,056 to be paid to its shareholders, Cablevisión Holding S.A., Fintech Media LLC and VLG Argentina LLC a pro rata of its share holdings whose payment was pending as of the Merger Effective Date. On January 8, 2018, Telecom Argentina S.A., the surviving company of Cablevisión S.A., proceeded to cancel the aforementioned obligation.

The Ordinary General Shareholders Meeting celebrated on January 31, 2018, approved the delegation of powers into the Board of Directors to order the total or partial withdrawal of the Voluntary reserve for future dividends payments and the distribution of the withdrawn funds as cash dividends, in the amounts and dates determined by the Board of Directors, being these delegated powers able to be exercised until before the celebration of the next Ordinary Annual Shareholders Meeting. In accordance to these delegated powers, the Company's Board of Directors on its meeting held on January 31, 2018, resolved to withdraw the amount of \$9,729,418,019 from the Voluntary reserve for future dividends payments of Telecom Argentina as of December 31, 2017 and to distribute that amount as cash dividends in two installments according to the following: a) the amount of \$2,863,000,000, which was made available on February 15, 2018 b) the remaining difference, that is the amount of \$6,866,418,019, was to be made available on April 30, 2018, being the Board of Directors able to anticipate such payment if it deems appropriate in the future. Later, the Board of Directors of Telecom Argentina on its meeting dated March 7, 2018 decided to anticipate the date when the second dividend installment will be made available to March 27, 2018 or in the prior date that the Chairman of the Company determines. Finally, the aforementioned second dividend installment was made available on March 21, 2018. as resolved by the Chairman of Telecom Argentina in use of the faculties delegated by the Board of Directors.

Moreover, the Board of Directors of Telecom Argentina approved on January 31, 2018 the distribution of interim cash dividends, for the amount of P\$10,143,505,599, in accordance with what it is foreseen in section 224, 2° paragraph of the GCL, being these subject to ratification from the Ordinary Shareholders Meeting that considers the documentation for the fiscal year ended December 31, 2017. The aforementioned amount corresponds to the sum of the net income (liquid and realized) for the period between January 1, 2017 and September 30, 2017, that arises from the Special Purpose Unconsolidated Financial Statements of Telecom Argentina as of this last date (\$5,640,728,444) and from the Special Purpose Unconsolidated Financial Statements of Cablevisión S.A. (company absorbed by merger by Telecom Argentina) to this same date (\$4,502,777,155). The mentioned dividends were made available to shareholders on February 15, 2018.

In conclusion, the dividends distribution aforementioned for a total of P\$23,950,713,674 (P\$34,840,902,813 in current currency of December 31, 2018) was paid on January 8, 2018 for P\$4,077,790,056, February 15, 2018 for P\$13,006,505,599 and on March 21, 2018 P\$6,866,418,019 (P\$33,946,781,381 in current currency of December 31, 2018).

Telecom Argentina's Shareholders' Meeting held on April 25, 2018: (i) ratified the advance distribution of dividends of P\$5,640,728,444 (P\$8,180,450,375 in current currency of December 31, 2018) resolved by the Board at its meeting of January 31, 2018, based on the Special-purpose Unconsolidated Financial Statements of Telecom Argentina as of September 30, 2017; (ii) allocate P\$1,989,254,041 (P\$2,681,552,243 in current currency of December 31, 2018), to set up the Voluntary reserve for future dividends payments; and (iii) delegate power to Telecom Argentina's Board of Directors so that, based on the evolution of the business, it may determine the withdrawal, in one or more times, of an amount up to P\$994,627,020 (P\$1,340,776,121 in current currency of December 31, 2018) from the Voluntary reserve for future dividends payments for distribution to the shareholders as cash dividends, enabling such delegated powers to be exercised until December 31, 2018.

With respect to Cablevisión's retained earnings, Telecom Argentina's Shareholders' Meeting held on April 25, 2018: (i) ratified the advance distribution of dividends of P\$4,502,777,155 (P\$6,530,139,756 in current currency of December 31, 2018) resolved by the Board at its meeting

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of January 31, 2018, based on the Special-purpose Unconsolidated Financial Statements of Cablevisión as of September 30, 2017; (ii) allocate P\$1,311,975,449 (P\$1,768,567,833 in current currency of December 31, 2018), to set up a Facultative Reserve to Maintain the Level of Investments in Capital Goods and the Current Level of its Solvency.

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Telecom Argentina's Board of Directors, at its meeting held on March 19, 2019, convened an Ordinary and Extraordinary Shareholders' meeting to be held on April 24, 2019, to consider among other issues the allocation of Telecom Argentina's retained earnings as of December 31, 2018.

The Board of Directors proposes:

	In Pesos
Retained Earnings as of December 31, 2018	26,918,365,656
To Legal Reserve	(265,906,251)
To Cash Dividends	(6,300,000,000)
To Facultative reserve for future cash dividends	(6,300,000,000) (a)
To Facultative reserve to maintain the level of investments in capital assets and the current level of solvency of the Company	(14,052,459,405)
To New Fiscal Year	

(a) An amount that adjusted for inflation in accordance with CNV General Resolution No. 777/2018 results in \$6,300,000,000 in Cash Dividends.

Regarding this proposal, it should be taken into account that since the enactment of General Resolution CNV No. 777/2018 (published in the Official Gazette on December 28, 2018), the restatement method for the financial statements in current currency is applicable for issuer companies, as established by the IAS 29.

Regarding the distribution of earnings, the aforementioned CNV General Resolution No. 777/2018, established that ***The distribution of earnings must be treated in the currency of the date of the Shareholders' Meeting by means of the price index corresponding to the month prior to their meeting.*** (section 3, item 1, subsection e), Chapter III, Title IV of the CNV RULES (NT 2013), *Expression in current currency of the earnings distributions*).

Therefore, it should be noted that this proposal of distribution of earnings corresponds to figures in current currency as of December 31, 2018, leaving to the resolution of the Shareholders' Meeting the determination of the amount that can be distributed.

In addition, the Board of Directors proposes i) that the cash dividends be made available to shareholders in three (3) equal installments, being payable the first installment within thirty (30) calendar days of their approval by the Shareholders' Meeting, and the second and third installments within ninety (90) and one hundred and eighty (180) consecutive days of their approval by the Shareholders' Meeting, respectively, or on the previous date determined by the Board of Directors; ii) that powers be delegated into the Board of Directors of the Company so that, depending on the evolution of the business, it may order the withdrawal, totally or partially, in one or more times, of an amount of up to \$6,300,000,000 from the Facultative reserve for future cash dividends and its distribution to shareholders as cash dividends, being these delegated powers able to be exercised until December 31, 2019.

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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 and rates of inflation; among others. These factors are not within our control. Certain statements expressed in this section 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.

Capital Expenditures

In the Mobile Services segment, investments were oriented mainly to the deployment of 4G technology, to achieve increasing coverage and capacity in various cities of Argentina. This objective was reached through the startup of new sites, together with replacement and modernization of existent sites.

In respect of fixed access network, 2018 reaffirms our decision to focus investments in technologies and solutions to increase substantially broadband offered to users, mainly with GPON (FTTH) technology, which continued been deployed in different regions of the country. Our work plans allow satisfying the various services requirements for business, large buildings, and urban developments.

In respect of transport network, continuing with precedent year plans, investments were done to deploy new interurban paths of optical fiber, increase Backbone IP capacity, setting-up of new contents POPs, and increment of capacity and availability of DWDM network.

Also new equipment was installed for the Metro Ethernet network and for the evolution and extension of the regional transport networks, mainly in PTN (Packet Transport Network).

See Item 3 Key Information Risk Factors Risks relating to Telecom and its Operations 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 from our operations, cash on hand and financing from third parties; therefore, our ability to fund these expenditures is dependent on, among other factors, our ability to generate sufficient funds internally. Telecom's ability to generate sufficient funds for capital expenditures is also dependent on its ability to increase its service prices, the increase of its operating costs due to inflation and the increase of the cost of imported materials as they may increase in peso terms (as a result of the decline in the peso/U.S. dollar exchange rate and higher inflation).

Taxes

Turnover Tax

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Under Argentine tax law, Telecom Argentina 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, 2018, 2017 and 2016, depending on the jurisdiction or goods and services subject to the tax. TV broadcasting activity is turnover tax exempt in some jurisdictions.

On January 2, 2018, Law No. 27,429 enforced a Fiscal Consensus signed between the PEN and representatives of the Provinces and the Autonomous City of Buenos Aires. Among other issues, the provinces assumed the commitment to apply tax rates not higher than those for each activity and period that are set in the Annex to the Consensus (in the case of communications services 5% in 2018 reducing to 3% in 2022 and in the case of mobile service 7% in 2018 reducing to reach 5% in 2022).

Income Tax

Our income tax rate was, up to fiscal year 2017, 35% of net taxable income for the companies located in Argentina, 10% for Núcleo, Envíos, Televisión Dirigida and Tuves Paraguay in Paraguay and 39.5% (34% Federal Tax and 5.5% State Florida Tax) for Telecom Argentina USA in the United States and 25% for Telemás and Adesol in Uruguay.

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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 for tax purposes and, accordingly, must be added back to the income tax base when assessing this liability. Law No 27,430 decreases the corporate income tax rate from 35% to 30% for fiscal years starting January 1, 2018 to December 31, 2019, and to 25% for fiscal years starting January 1, 2020 and onwards.

Pursuant to U.S. Federal tax reform, the new U.S. corporate federal tax rate is 21% from 2018 onwards.

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 by a Paraguayan company. Additionally, under such law, when dividends are being paid to foreign shareholders, there is a withholding tax of 15%, which is deducted from the amounts which are paid to such shareholders.

As per Argentine tax law, income tax paid abroad and withholding tax are recognized as tax credits with certain quantitative limits.

Net losses in Argentina can generally be carried forward and applied against future taxable income for five years. However, Paraguayan law does not permit the carry-forward of such losses.

Taxation on Dividends

Pursuant to Law No. 26,893, 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 the Argentine Income Tax Law (the Income Tax Law), Sections 69 (a)(1), (2), (3), (6) and (7), and Section 69(b), to Argentine resident individuals and foreign beneficiaries were subject to income tax at a 10% rate. Law No. 27,260 repealed this withholding tax as of July 23, 2016. Consequently, no withholding tax is to be levied on dividends distributed to either Argentine or non-Argentine resident shareholders since then. This treatment applies only to dividends to be distributed at any time out of retained earnings accumulated until the end of the last fiscal year starting before January 1, 2018.

Likewise, the portion of those dividends exceeding the company's accumulated net taxable income (as determined by application of the Argentine Income Tax Law), if any, is subject to a 35% withholding tax on such excess (the Equalization Tax). For purpose of the Equalization Tax, the amount of accumulated net taxable income to be considered shall be determined by (1) deducting the income tax paid by the company, and (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 Argentine tax authorities and will be entitled to seek reimbursement from the shareholders.

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Dividends to be distributed out of earnings accrued in fiscal years starting on or after January 1, 2018, are to be subject to a tax treatment different from the one previously described, based on the recent enactment of a comprehensive tax reform -Law No. 27,430-, published in the Official Gazette on December 29, 2017, and generally effective since January 1, 2018.

Pursuant to Law No. 27,430 and Decree N° 1201/2018 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 the Argentine Income Tax Law (the Income Tax Law), Sections 69 (a)(1), (2), (3), (6), (7) and (8), and Section 69(b) to Argentine resident individuals and foreign beneficiaries will be subject to income tax at a 7% rate on profits accrued during fiscal years starting January 1, 2018 to December 31 2019, and at a 13% rate on profits accrued in fiscal years starting 1 January 2020 and onwards. If dividends are distributed to Argentine corporate taxpayers (in general, entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of foreign entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina), no dividend tax should apply. In addition the Equalization Tax is repealed on income accrued from January 1, 2018 and onwards.

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Capital gains

The results derived from the transfer of shares and other equity interests, bonds and other securities of Argentine companies are subject to Argentine capital gains tax, regardless of the type of beneficiary who realizes the gains.

Capital gains obtained by Argentine corporate taxpayers (in general, entities organized or incorporated under Argentine law and local branches of non-Argentine entities) derived from the sale, exchange or other disposition of shares are subject to income tax at the corporate rate on net income. Recently, Law No. 27,430 regulated through Decree No. 1,170/2018 published on December 27, 2018 decreased the corporate income tax rate from 35% to 30% for fiscal years beginning on January 1, 2018 to December 31, 2019, and to 25% for fiscal years beginning on January 1, 2020 and onwards.

Individual resident's capital gains tax

Law No 27,430 established that as from January 1, 2018, gains realized by Argentine resident individuals from the sale, transfer or disposition of shares, securities representing shares and certificates of deposit of shares are exempt from capital gains tax in the following cases: (i) when the shares are placed through a public offering authorized by the CNV, (ii) when the shares are traded in stock markets authorized by the CNV, under segments that ensure priority of price-time and interference of offers, or (iii) when the sale, exchange or other disposition of shares is made through an initial public offering and/or exchange of shares authorized by the CNV. For periods prior to 2018, it is currently under discussion the extent of the exemption (established by Law 26,893 and its implementing decree 2334/2013) applicable to the sale of shares and other securities through a stock exchange market, so as to determine whether it applies only sales of securities made in stock exchanges duly authorized by the CNV or in any stock exchanges. Pursuant Decree N° 1170/2018 the conversion process by which individual residents change ADRs by exempted shares, will be considered a levied transaction at its value market price.

Nonresident's capital gains tax

Pursuant to Law No. 26,893, capital gains obtained by non-Argentine residents from the sale, exchange or other disposition of shares and other equity interests, bonds and other securities of Argentine companies were subject to capital gains tax until December 30, 2017, even if those transactions were entered into between nonresidents.

Law No 27,430 provides that the capital gains tax applicable to nonresidents for transactions entered into between September 23, 2013 (when Law No. 26893 became effective) and December 30, 2017, is still due and regulations will state the mechanism to have it paid. However, no taxes will be claimed to nonresidents with respect to past sales of Argentine shares or other securities traded in CNV's authorized markets (such as ADSs) as long as the cause of the non-payment was the absence of regulations stating the mechanism of tax collection at the time the transaction was closed. General Resolution (AFIP) 4.227, which came into effect on April 26, 2018, stipulates that the income tax should be paid to the AFIP under the following procedures: (i) in case the securities were sold through an Argentine stock exchange market, and the withholding has been made, then the withholder must pay the tax, (ii) in case the securities were sold but not through an Argentine stock exchange market and there is an Argentine buyer

involved, then the Argentine buyer should pay the income tax; and (iii) when both the seller and the buyer were foreign beneficiaries and the sale was not performed through an Argentine stock exchange market, the person liable for the tax is the buyer and the payment shall be made through an international bank wire transfer to the AFIP. The payment of capital gains tax applicable for transactions entered into before December 30, 2017 was due on June 11, 2018.

In turn, Law 27,430 and Decree 279/2018, maintain the 15% capital gains tax (calculated on the actual net gain or a presumed net gain equal to 90% of the sale price) on the disposal of shares or securities by nonresidents. However, nonresidents are exempt from the capital gains tax on gains realized from the sale of (a) Argentine shares in the following cases: (i) when the shares are placed through a public offering authorized by the CNV, (ii) when the shares were traded in stock markets authorized by the CNV, under segments that ensure priority of price-time and interference of offers, or (iii) when the sale, exchange or other disposition of shares is made through an initial public offering and/or exchange of shares authorized by the CNV; and (b) depositary shares or depositary receipts issued abroad, when the underlying securities are shares (i) issued by Argentine companies, and (ii) with authorization of public offering. The exemptions will only apply to the extent the foreign beneficiaries reside in, or the funds used for the investment proceed from, jurisdictions considered as cooperating for purposes of the exchange of tax information.

In addition, it is clarified that, from 2018 onward, gains from the sale of ADSs will be treated from Argentine sources.

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In case the exemption is not applicable and, to the extent foreign beneficiaries do not reside in, or the funds do not arise from, jurisdictions not considered as cooperative for purposes of fiscal transparency, the gain realized from the disposition of shares would be subject to Argentine income tax at a 15% rate on the net capital gain or at a 13.5% effective rate on the gross price. In case such foreign beneficiaries reside in, or the funds arise from, jurisdictions not considered as cooperative for purposes of fiscal transparency, a 35% tax rate on the net capital gain or at a 31.5% effective rate on the gross price should apply. As per the law, the Executive Power will be required to publish a list of non-cooperating jurisdictions. Meanwhile, to determine if a jurisdiction is cooperating or not, the list published by AFIP according to Decree 589/2013 should be consulted.

In such scenarios, according to General Resolution (AFIP) 4227, the income tax should be withheld and paid to the AFIP under the following procedures: (i) in case the securities were sold by a foreign beneficiary, through an Argentine stock exchange market, the custodian entity should withhold and pay the tax if it is involved in the payment process; if it is not involved in the payment process but there is an Argentine buyer involved, the Argentine buyer should withhold the income tax (ii) in case the securities were sold by a foreign beneficiary, but not through an Argentine stock exchange market and there is an Argentine buyer involved, the Argentine buyer should withhold the income tax; and (iii) when both the seller and the buyer are foreign beneficiaries and the sale is not performed through an Argentine stock exchange market, the person liable for the tax shall be the legal representative of the seller of the shares or securities being transferred or directly by the seller, in the event that there is no local legal representative. In this case, the payment shall be made through an international bank via wire transfer to the AFIP.

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from the holding and disposing of ADSs or Class B Shares.

Assets - Tax revaluation option

Law No 27,430 establishes an option for Argentine-resident individuals and companies to step their Argentine-based, income producing assets tax basis up. The step-up option can be exercised based on the assets' tax basis values for the first fiscal period ending after the Law's entry into force. Under the law, the new tax basis in the assets will be determined by applying a revaluation factor, as established in the law, to the tax basis originally determined in each year or period of the asset's acquisition or construction. In the case of immovable or movable property qualifying as fixed assets, the value may be determined by an independent appraiser under certain conditions. In addition, the law imposes a one-time special tax on the amount of the revaluation. The applicable rate will vary depending on the assets revaluated:

- Real estate (regarded as capital assets): 8%
- Real estate (regarded as inventories): 15%
- Shares, quotas and other participations in Argentine companies owned by resident individuals: 5%
- All other assets (except inventories and cars, which may not be revaluated): 10%.

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The option must be exercised on all the taxpayer's assets that integrate the same category of assets. Once the option is exercised, the taxpayer is able to calculate the amortization or costs in the income tax over the revalued assets. Likewise, such revaluation is updated on the base of the variation of Consumer Price Index (CPI) since January 1, 2018, as provided by Law No. 27,468.

The amounts resulting from the revaluation will be considered for the purpose of determining the amortization of the assets and their computable cost under certain conditions and limitations.

The law requires taxpayers that opt for the special revaluation regime to withdraw from any judicial or administrative process in which they are claiming, for tax purposes, an adjustment for inflation and to desist from making a new claim. (See Item 8 Financial Information Tax Matters Income tax - Action for recourse filed with the AFIP).

Telecom Argentina has evaluated the convenience of exercising this option and decided not to enter the regime.

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Inflation restatement for income tax purpose

Law No 27,430 establishes the restatement for inflation procedures in the Income Tax Law allowing the inflation adjustment for new acquisitions and investments carried out from January 1, 2018 and onwards; the law also allows the application of an integral inflation adjustment mechanism but only when the variation of the Internal Wholesale Price Index (in Spanish, Índice de Precios Internos al por Mayor or IPIM) supplied by the National Institute of Statistics and Censuses (in Spanish, Instituto Nacional de Estadística y Censos or INDEC), is higher than 100% for the 36-month period before the end of the fiscal period. However, on December 4, 2018, Law 27,467 amended Law 27,430 and IPIM was substituted by the Consumer Price Index (CPI). This Law also establishes that the Inflation Adjustment Proceeding will be applicable -regarding the first three years as of January 1, 2018- when the variation of the Consumer Price Index exceeds 55% for the first exercise, 30% for the second year and 15% for the third year and that the inflation adjustment that must be calculated in the first three fiscal years beginning on January 1, 2018 must be charged 1/3 in that fiscal period and the remaining 2/3 in equal parts in the remaining fiscal periods.

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 2017, 2016 and 2015, Telecom's deduction of interest expenses was not limited because Telecom was able to meet the conditions required for such deduction.

Law No 27,430 and Decree 1170/2018, in force for fiscal years beginning after January 1, 2018, eliminate the 2:1 debt-to-equity ratio and establishes a new set of thin capitalization rules. Pursuant to this amendment, thin capitalization rules apply to interest on financial debt (i.e., interest not accruing on payables for the purchase of goods or services) entered into with related parties (whether local or foreign). Such interest expense can be deducted up to the higher amount of (i) an amount to be set by Regulations, or (ii) 30% of EBITDA. This limit can be increased by the excess of such higher amount over the amount of interest actually deducted in the last 3 taxable years, if any. If thin capitalization rules apply, the nondeductible portion of the interest expense will be carried forward for 5 taxable years, in which it will be added to the interest expense subject to thin capitalization rules to determine whether the limit is reached or not.

Thin capitalization rules do not apply to the following cases, among others:

- Interest expense lower to interest income.

- When the borrower's interest-to-EBITDA ratio is lower than or equal to the ratio of its economic group's interest expense on loans from unrelated parties and EBITDA.

- When the lender is subject to tax on such interest.

The concept of interest subject to thin capitalization rules include foreign exchange losses and inflation or other index adjustments.

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.

Notwithstanding the provisions of the law, pursuant to AFIP Instruction No. 2/2017, companies shall not be subject to tax on minimum presumed income as long as they recognized accounting and tax losses in the relevant fiscal period. Under those circumstances, pursuant to the ruling of the Supreme Court of Argentina in the lawsuit Hermitage S.A. , it shall be enough to demonstrate that the minimum income presumed under the law does not exist.

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During fiscal years 2017 and 2016, income tax was higher than tax on minimum presumed income. During fiscal year 2018 Telecom Argentina is subject to tax on minimum presumed income tax since it has recognized accounting gains but income tax loses. Shares and other equity participations in companies subject to the tax on minimum presumed income are exempt from the tax on minimum presumed income.

According to Law No. 27,260, Tax on Minimum Presumed Income is repealed for fiscal years beginning from January 1, 2019.

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.

The import of services (including financial services) by Argentine VAT taxpayers registered for VAT purposes, or responsables inscriptos, such as Telecom Argentina and Personal, 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%.

Pursuant to Law No 27,430 (effective for taxable events occurring as from February 1, 2018) digital services rendered from outside Argentina are subject to value added tax when the services are rendered to VAT taxpayers or consumers by a resident or a foreign party and the effective use of the services is conducted in Argentina. The purchaser of the digital services is liable to assess and remit the VAT to the Argentine tax authorities. Decree N° 813/2018 regulates this new taxable event and establishes that the tax will be paid by the customer, directly or through a reverse withholding mechanism. If an intermediary, whether resident or domiciled in Argentina, intervenes in the payment, the intermediary will act as a reverse withholding mechanism agent. If there is more than one intermediary, the agent of reverse withholding will be the one that has the closest commercial relationship with the provider of the service. The entities providing collection services are included in this provision. General Resolution No. 4240/2018 (published in the Official Gazette on May 14, 2018) established the forms, terms and conditions that should be taken into account to deposit VAT.

Law No. 27,346 states that since January 1, 2017, VAT for Argentinean residents, such as Telecom Argentina will be considered responsables sustitutos (substitutes) of the VAT tax that levies services rendered in Argentina by non-residents. Decree N° 813/2018 regulates this amendment. General Resolution No. 4356/2018 (published in the Official Gazette on December 11, 2018) established the forms, terms and conditions that responsables sustitutos (substitutes) should take into account to deposit VAT.

Financial Transactions Tax

The financial transactions tax is levied on 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

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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 2017, 2016 and 2015, we charged to our income statement P\$626 million, P\$539 million and P\$403 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 reflecting the impact of the financial transactions tax. Telecom Argentina determined an amount of approximately P\$23 million had not yet been recovered that arose prior to the issuance of Resolution No.72/03 and that was not used to offset payment of other taxes. Such amount was recorded under Other receivables during 2007 and can be offset with existing and/or future regulatory duties. See Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework Tax on deposits to and withdrawals from bank accounts charged to customers.

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.

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Pursuant to Law No 27,432 the PEN may decide that the percentage of the tax that on the date of entry into force of this law is not computable as payment on account of income tax, will be progressively reduced by up to twenty percent (20%) per year as of January 1, 2018, and also may decide that, in 2022, the tax provided for in Law No. 25,413 and its amendments as a payment on account of income tax will be computed in full. Through Decree No. 409/2018, the percentages in which the Taxes on deposits to and withdrawals from bank accounts can be taken into account as a tax credit for Income Tax or the Tax on Minimum Presumed Income, were increased: that owners of bank accounts subject to the general tax rate of 0.6% may take into account as a tax credit 33% (20% applicable to taxable events affected by a tax rate lower than 0.6%) of the tax originated in credits and debits on such bank accounts. The amendments introduced will be applicable to the advance payments and balances of the Income Tax or Tax on Minimum Presumed Income, tax return of fiscal periods that begin as of January 1, 2018.

Personal Assets Tax

Argentine companies, such as us, have to assess and pay the personal assets tax corresponding to their shareholders that are Argentine individuals and non-Argentine resident persons (natural and legal persons). The tax rate in effect through December 31, 2015 was 0.50%. As of December 31, 2016, Law No. 27,260 lowered the rate to 0.25%, which is to be assessed on the proportional net worth value (*valor patrimonial proporcional*), of the shares as per the Argentine entity's last financial statements prepared under Argentine GAAP. Pursuant to the Personal Assets Tax Law, an Argentine company is entitled to seek reimbursement for such paid tax from the applicable Argentine domiciled individuals and/or foreign domiciled shareholders.

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and complied with certain other requirements may qualify for an exemption from the personal asset tax paid on behalf of the Shareholders for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should have been filed before March 31, 2017. Telecom Argentina and Cablevisión have filed the request. Notwithstanding, we cannot assure that in the future, Telecom Argentina and Cablevisión can fulfill those requirements and maintain the referred exemption.

As of December 31, 2019, the rate at which Argentine companies, such as us, have to assess and pay the personal assets tax corresponding to their shareholders that are Argentine individuals and non-Argentine resident persons (natural and legal persons) will be 0.25%.

Export Duties

On December 4, 2018, Law 27,467 amended the Argentine Customs Code and included export of services within the scope of exports in the Customs Code, thus allowing the application of export duties on them. In turn, the law allowed the Executive Power to impose duties on those exports until December 31, 2020.

On January 2, 2019, the Argentine Executive Power enacted Decree No. 1201/2018 establishing a duty on exports of services until December 31, 2020. The export duty has been set at a rate of 12%, with a maximum limit of Argentine Pesos (ARS) 4 per each US Dollar (US\$) of the amount arising from the invoice or equivalent document.

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Exports of services are defined as services carried out in Argentina whose utilization or effective exploitation is carried out abroad. Such services, although not subject to VAT, are now subject to this temporary export duty.

On the other hand, this duty does not apply to services rendered to foreign parties which are effectively used in Argentina (and therefore subject to VAT).

This duty will be applicable on export of services rendered and invoiced since January 1, 2019, including services originated in contracts or transactions initiated before that date, but rendered since that date.

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.

Law No. 25,239 imposes a tax on Personal (entity absorbed by Telecom Argentina) 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%. Since March 1, 2018, pursuant to Law No 27,430, the rate increases to 5% (5.26% effective tax rate).

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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. Pursuant to Decree No. 979/2017 since November 15, 2017 mobile phones are levied at a rate of 10.50% resulting in an effective tax rate of 11.73%, this rate will decrease until January 2024 when no excise tax will be levied on this transactions (in 2019 it will be 9.89%). In the case of goods manufactured in Tierra del Fuego, no tax will apply since November 15, 2017.

Since the beginning of 2001, telecommunication services companies have been required to pay a Universal Service tax to fund Universal Service requirements. See Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework Universal Service Regulation.

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 National Board of High Performance Sport (*Ente Nacional de Alto Rendimiento Deportivo* ENARD). Law No. 27,430 repeals this levy since March 1, 2018.

Pursuant to Law No. 26,522 the owners of audiovisual communications services must pay a tax proportional to the amount of the turnover from the commercialization of traditional and non-traditional ads, programs, channels, content, subscriptions, and any other concept deriving from the exploitation of such audiovisual communications services. In case TV Cable operators, tax varies between 2% and 5% depending on the number of inhabitants in the service area. Subjects that are registered as responsible to pay Value Added Tax and that are subject to the Audiovisual communications services Tax, may compute this tax as payments on account of VAT.

Additionally, Author's rights should be paid by the owners of audiovisual communications services to several institutions such as AADI-CAPIF, SADAIC, ARGENTORES, etc. The rates vary between 0.1% and 1% and are calculated on a similar basis to audiovisual communications services tax.

Stamp tax is a provincial tax that is levied based on the formal execution of public or private instruments. Documents subject to stamp tax include, among others, various types of contracts, notarial deeds and promissory notes. Each province and the Autonomous City of Buenos Aires has its own stamp tax legislation. Stamp tax rates vary according to the jurisdiction and type of agreement involved. On January 2, 2018, Law No. 27,429 enforced a Fiscal Consensus signed between the PEN and representatives of the Provinces and the Autonomous City of Buenos Aires. Among other issues, the provinces assumed the commitment to apply tax rates not higher than those for each activity and period In the stamp tax, for certain acts and contracts, not higher than 0.75% as of January 1, 2019 with a gradual reduction until its complete elimination as of January 1, 2022.

Local municipalities establish various taxes and fees such as Safety and hygiene , Habilitation and inspection of structures , Occupation of public spaces and Advertising , among others.

Telecom Argentina is subject to a radioelectric spectrum fees that are paid to the Regulatory Authority for the use of the radio spectrum.

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Law No. 27,430 gradually reduces the percentage of employers' contributions to be paid by large companies from 21% to 19.5% in 2022. It establishes a non-taxable base for calculating employers' contributions of \$ 2,400 for 2018, which will increase until reaching \$12,000 in 2022 (updatable since January 2019, based on the variations of the Consumer Price Index (CPI)). The Law gradually phases out employers' contributions creditable against VAT. Pursuant to *Ministerio de Salud y Desarrollo Social - Secretaría de seguridad social* General Resolution No 3-2018 of the the non-taxable base for 2019 will be \$7.003,68 Argentine pesos.

The National Budget Law for the year 2019 (Law No. 27,467), published in the Official Gazette on December 4, 2018, provides that entities that provide broadcast television or physical link and/or radio electric link subscription television services, audio broadcasting, cable television signals, newspaper, magazine or periodical publishing companies or companies engaged in digital journalism, and the distributors of those publishing companies, may all calculate employer's contributions paid in connection with the personnel engaged in said activities as tax credit on VAT. These contributions must have been accrued in the fiscal period and effectively paid at the moment of submitting the VAT return. As provided above, where the salaries that give rise to the employer's contributions which may be calculated as tax credit on VAT are indistinctly related to other activities outside the scope of this benefit, they will be subject to the apportionment procedure. During 2018, the Company has applied a regime similar to that provided under Law No. 27,467, based on final court decisions allowing its application.

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Research and Development, Patents and Licenses, etc.

None.

Trend Information

In macroeconomic terms, during year 2018, growth's deceleration was accentuated, mainly due to the drought that affected the central agricultural area for most of the year and had a negative impact on economic activity nationwide. This situation, added to a more contractive monetary and fiscal policy, generated a decrease in the activity level.

One of the most relevant factors in the economic context was the increase of inflation levels, high interest rates and the devaluation of the Argentine peso, which affected the Argentine economy mainly during the second half of the year. However, we consider that this situation will find a breakeven point during the first half of 2019, considering the agreement reached by the government with the International Monetary Fund and the definition of new economic measures aimed at seeking market credibility and exchange rate parity stability.

The economic-financial performance of Telecom Argentina - and other companies that operate in Argentina- was not oblivious to the impact of exchange differences, especially for a company that has to make intensive investments in infrastructure, with dollarized inputs, but operates in Argentine pesos in the local market.

Despite an adverse economic context, during this period, Telecom had estimable growth levels due to its favorable operating performance registered during the last years.

We continue to ratify our commitment to the economic development of Argentina, from an investment strategic plan of US\$ 5,000 destined to the deployment of infrastructure and system integration, which started in 2018.

Regarding the framework that regulates our activity, we continue accompanying the government's vocation to extend connectivity throughout the country, which is reflected in the National Telecommunications and Connectivity Plan. We understand that the State should encourage the willingness of companies such as Telecom, with the capacity and commitment to invest in modern and powerful networks that bring high quality products and services to Argentina. This agreement confirms the efforts that the ICT sector has been making in recent years to reduce the digital gap and make connectivity available to all Argentina.

One of the main focuses of our management during this year was to consolidate the integration of the financial and operating structures of the merged companies - Telecom and Cablevisión -, in order to reinforce the position of the new company in a high competitive market.

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Our efforts were aimed at providing our customers with the best offerings in terms of speed, quality, technological reliability and high-value contents, focusing on the convergence of services, the integration of the IT platform, which is indispensable to achieve the real convergence of all the services provided by Telecom available through its trademarks Cablevisión, Personal and Fibertel - as well as the comprehensive management of our customer base.

We continued upgrading and enhancing the capacity and coverage of the fixed-mobile network throughout the country, an asset that positions Telecom as a leading ITC company in Argentina. The deployment of network infrastructure is key to the transformation towards convergent services, with international quality standards, which allows us to leverage on the content business, with Flow as the entertainment hub and comprehensive multi-device platform.

Telecom will maintain the plans for fiber optic cable laying increasingly closer to households, unifying different access technologies to improve browsing speeds and converting copper fixed networks into fiber networks or hybrid fiber-coaxial networks to offer higher connection speed and allow customers to enjoy audiovisual contents that demand high network capacity.

As to the mobile network, we will maintain our strategy to enhance network coverage, availability and capacity with the expansion of the 4G network to more locations and the extension of the 4.5G network, already available in 95% of the coverage area of Personal's 4G network. In addition, we are preparing for the development of 5G technology which supports ultra-broadband connection, essential for the most innovative mobile applications and the growth of the connection between devices known as IoT (Internet of Things).

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We are favoring the integration and synergy of our mobile and fiber optic networks, in addition to the high capacity and capillarity of the IP transport interurban network, with a new architecture that will allow the company to transport not only our own digital contents but also those of third parties.

This single network, Argentina's most powerful and sustainable one, will allow us to expand the plan for the transformation of contents and IP video services, among which Flow is the ultimate offering.

Connectivity is no longer fixed or mobile, it is present in every aspect of everyday life and, at Telecom, we seek to boost that connectivity into mobility, from any place and from any device, as the gateway to the digital universe of individuals, companies and governments. As we have been doing over the last years, we seek to lead this process of deep transformation of behaviors, social dynamics and organizations.

Contractual Obligations

Our consolidated contractual obligations and purchase commitments as of December 31, 2018 were as follows:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(in millions of Argentine Pesos)				
Debt obligations (1)	21,917	51,625	18,743		92,285
Operating lease obligations	1,754	1,859	427	479	4,519
Purchase obligations (2)	23,690	8,529	3,697	672	36,588
Other long-term liabilities (3)	636	362	120	187	1,305
Total	47,997	62,375	22,987	1,338	134,697

(1) Includes P\$12,973 million of future interest.

(2) Other than operating lease obligations. It includes PP&E purchase obligations, inventories purchase obligations, and other services purchase obligations, among others.

(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.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The Board of Directors

The direction and management of Telecom Argentina is vested in the Board of Directors and its executive officers. Telecom Argentina's bylaws were amended at the Ordinary and Extraordinary Shareholders' Meeting held on August 31, 2017 providing for a Board of Directors consisting of (i) no fewer than eleven and no more than seventeen directors and (ii) the same or a lesser number of alternate members. This amendment was recorded with the IGJ on August 30, 2018.

As of the date of this Annual Report, Telecom Argentina has eleven directors and eleven alternate directors. Three of the directors and two of the alternate directors qualify as independent directors under SEC regulations. Three of the directors and three 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 manage the corporation, including those for which the law requires special powers. The Board of Directors operates where there is a quorum of the absolute majority of its members and resolves issues by simple majority of votes present, provided that in respect of certain matters (the Supermajority Matters) the favorable vote of at least one Director proposed for designation by the Class A and one Director proposed for designation by the Class D is required to pass a resolution. According to Telecom Argentina's bylaws, the chairman of the Board of Directors (the Chairman) has a double vote in the case of a tie, except in respect of Supermajority Matters. Under CNV regulation, in order to be independent, a director must neither be employed by, nor affiliated with, Telecom Argentina, CVH or Fintech. Directors and alternate directors are normally elected at annual ordinary general meetings of shareholders (Annual Ordinary Shareholders' Meetings) and serve a renewable three-year term. None of Telecom Argentina's directors have services contracts with Telecom Argentina (or any subsidiary) providing for benefits upon termination of employment as a director.

On January 31, 2018 the Board of Directors organized and approved the internal rules of the Executive Committee, (the Rules of the Executive Committee (Reglamento de Facultades y Funcionamiento)) provided for in Article thirteen of our Bylaws which shall be in charge of the approval, *inter alia*, of matters in the ordinary course of business, but without executive responsibilities which shall be in charge of the managers of the Company, the preliminary approval of plans of important significance including the Business Plan and Annual Budget of the Company, prior to its approval by the Board and also certain other duties that were previously performed by the *Comité de Operaciones* and the *Consejo de Administración* which have been eliminated. The Executive Committee is comprised of five members, all of which are required to be Directors of the Company. The Executive Committee takes all of its resolution by the unanimous vote of all its members, and in case such consent is not obtained in respect of any matter, such matter is posted for approval of the Board of Directors.

As established in the Telecom Shareholders' Agreement between CVH and Fintech, provided that CVH holds a certain percentage of Telecom Argentina Shares, CVH shall be entitled to designate the majority of the directors, alternate directors, members of the Supervisory Committee, Executive Committee members, Audit Committee members, the CEO and any other Key Employees (other than the CFO and the Internal Auditor, who shall be designated by Fintech). CVH shall also be entitled to nominate the Chairman of the Board and Fintech to nominate de Vicechairman of the Board. In the absence of a director, the corresponding alternate director may attend and vote at meetings of the Board of Directors.

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See Item 7 Major Shareholders and Related Party Transactions Major Shareholders Telecom Shareholders Agreement for a description of certain agreements relating to the appointment of members of the Board of Directors.

PART I - ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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The following table lists our directors and alternate directors as of December 31, 2018 and as of the date of this Annual Report:

Name	Position on the Board of Directors	Date Director joined the Board of Directors
Alejandro Alberto Urricelqui	Chairman of the Board of Directors	January 1, 2018
Mariano Marcelo Ibáñez	Vice Chairman of the Board of Directors	March 8, 2016
Sebastián Bardengo	Director	January 1, 2018
Ignacio José María Sáenz Valiente	Director	January 1, 2018
Damián Fabio Cassino	Director	January 1, 2018
Carlos Alejandro Harrison	Director	March 8, 2016
Martín Héctor D'Ambrosio	Director	March 8, 2016
Germán Horacio Vidal	Director	January 1, 2018
Luca Luciani	Director	January 31, 2018
Baruki Luis Alberto González	Director	April 8, 2016
Alejo Maxit	Director	April 27, 2017
María Lucila Romero	Alternate Director	January 1, 2018
Sebastián Ricardo Frabosqui Diaz	Alternate Director	January 1, 2018
Claudia Irene Ostergaard	Alternate Director	January 31, 2018
Nicolás Sergio Novoa	Alternate Director	January 1, 2018
José Carlos Cura	Alternate Director	April 27, 2017
Miguel Angel Graña	Alternate Director	January 1, 2018
Facundo Martín Goslino	Alternate Director	January 31, 2018
Lucrecia María Delfina Moreira Savino	Alternate Director	January 31, 2018
Saturnino Jorge Funes	Alternate Director	March 8, 2016
Carolina Susana Curzi	Alternate Director	January 31, 2018
Santiago Luis Ibarzábal Murphy	Alternate Director	April 27, 2017

Executive Committee.

The following table lists the members of our Executive Committee as of the date of this Annual Report:

Alejandro Alberto Urricelqui
Mariano Marcelo Ibáñez
Sebastián Bardengo

Damián Fabio Cassino
Germán Horacio Vidal

Alejandro Alberto Urricelqui is an Accountant with a degree from the Universidad de Buenos Aires, and has a Master's Degree in Finance. He has been the Chairman of the Board of Directors of the Company since January 2018 and a member of the Executive Committee. He was the Chairman of Cablevisión S.A. until it was merged into the Company. During 2017, he participated in the merger process of Cablevisión S.A. and Telecom Argentina S.A. In addition, during 2006, he led the acquisition and subsequent merger of Cablevisión S.A. and Multicanal S.A. Mr. Urricelqui joined Grupo Clarín in 1990. As Chief Financial Officer, he participated in the business expansion and integration of Grupo Clarín's media and telecommunications and in its Initial Public Offering, which took place in 2007. He was born on October 16, 1959.

Mariano Marcelo Ibáñez is a lawyer with a degree from the Universidad de Buenos Aires. He was the Chairman of the Board of Directors of the Company from March 2016 until January 1, 2018. He is currently the Vice Chairman and member of the Executive Committee. Previously, he was Director of Cablecom and as Chairman and CEO of Cablevisión S.A. He was a Director of Multimedios América (Cablevisión, Radio América, Radio del Plata, El Cronista and América TV). He was born on August 25, 1959.

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Sebastian Bardengo is graduated from the Universidad de Buenos Aires with a degree in Business Administration and has a specialization in Administration and Management from Harvard University. He has been member of the Board of Directors of the Company and a member of the Executive Committee since January 2018. He has been director of Cablevision Holding S.A. since 2008. He is currently Chairman of the Board of Director of Cablevisión Holding S.A. He has been the Manager of Corporate Business at Grupo Clarín and member of the Board of Directors of Grupo Clarín and several of its subsidiaries. Previously, he worked for more than 20 years in investment and commercial banking, including the following positions: (i) Director at Bank Boston Capital, a private equity fund with investments in Argentina, Uruguay and Chile; (b) Executive Director at Bozano Simonsen Latinamerica S.A., a leading Brazilian investment bank; (c) Founding Partner at Buenos Aires Advisors, a financial advisory and Mergers and Acquisitions firm. In addition, Mr. Bardengo was appointed as financial expert in international arbitration courts such as CIADI (Centro Internacional de Arreglo de Diferencias relativas a Inversiones) and CNUDMI (Comisión de las Naciones Unidas para el Derecho Mercantil Internacional). He was born on May 15, 1966.

Ignacio José María Sáenz Valiente is a lawyer from the Pontificia Universidad Católica Argentina and partner at the Argentine law firm Saézn Valiente & Asociados that provides services as legal counsel to the Company. He has 17 years of professional experience. Mr. Sáenz Valiente specializes in corporate law, particularly local and international acquisitions and wealth management. He currently is a member of the board of directors of various companies, including GC Dominio S.A., Cablevisión Holding S.A., Grupo Benicio S.A., Geisha Bienes Raíces S.A., Purity Polo S.A., Grupo A1 SRL, Green Armor S.A., ENVO Biogas Tonder As/p, Envo Biogas AAbenraa As/p and Telecom. He was born on December 21, 1975.

Damián F. Cassino is a lawyer from the Universidad de Buenos Aires. He is a partner at the Argentine law firm Saézn Valiente & Asociados. He has 25 years of professional experience. Mr. Cassino specializes in complex litigation and antitrust law. He currently is director and member of the Executive Committee of Telecom and a member of the board of directors of various companies, including GC Dominio S.A. He was born on January 16, 1969.

Carlos Alejandro Harrison is a Business Administrator from the Universidad de Buenos Aires and completed postgraduate studies at IAE Business School. He has been a member of the Board of Directors since March 2016 and is a member of the Company's Audit Committee. Previously, he was President of Producciones YAQ S.A. and President of Business Development for AMC Networks International. Before that, he was the General Manager of Chello Latin America and Pramer SCA (both controlled by Liberty Global plc). Mr. Harrison also worked for Grupo Clarín S.A. as a Business Development Manager and was the Director of for International Operations at Multicanal S.A. He was born on January 19, 1963.

Martín Héctor D. Ambrosio is a lawyer with a degree from the Universidad de Buenos Aires. He has been a member of the Board of Directors since March 2016 and he is also a member of the Company's Audit Committee. He currently is Managing Partner at GS1 S.R.L. and legal advisor for several companies at his own legal firm. Previously, he worked with the legal firm Dellepiane & Asociados, and for many years, he was in charge of the legal area of US Equities Realty. He was born on March 9, 1974.

Germán Horacio Vidal is an industrial engineer graduated from the Universidad Católica Argentina. He has been a member of the Board of Directors since January 2018 and is a member of the Company's Audit Committee and Executive Committee. He was the CEO of Grupo Telecom Argentina from May 2016 until November 2017. Between 1987 and 1997, he worked in different management positions at IBM in Argentina and Europe. From 1997 to 2004, he worked at MetroRED first as Marketing and Sales Director and then as General Manager of the Argentine branch, and Vice Chairman and General Manager of the operations in Argentina, Brazil, and Mexico. In 2003, with CoInvest as the main shareholder, he was appointed CEO of said company and participated on the Board of Directors of CTI. Afterwards, upon the sale of MetroRED, he was appointed Director of Marketing, Products, Customer Care and Data Center in Telmex Argentina. From 2005 to 2016, he worked at Korn Ferry consultants as a Senior Client Partner, General Director and Chairman. He was born on December 27, 1963.

Luca Luciani has a degree in Economics and Trade from LUISS University (Rome). He has been a member of the Board of Directors since January 31, 2018. Luca Luciani was the Managing Director and CEO of Value Partners, a multinational Italian consultancy firm operating through a network of 250 professionals around the world, until November 2018. During 15 years, as from 1999, he built a comprehensive experience as manager of telecommunications businesses, among others: CEO of Tim Brazil, General Manager of Telecom Italia domestic business, Group controller and CFO of Tim, Vice President Marketing and Sales of TI Group and CTO of Mobile. Previously, Mr. Luciani accumulated 10 years of experience in different sectors and jobs, such as Group Controller of Enel, Manager of Procter & Gamble and consultant in Bain&Company network. He was born on November 2, 1967.

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Baruki González is a lawyer with a degree from the Universidad de Buenos Aires. Mr. González joined the Board of Directors of Sofora, Nortel, Telecom Argentina and Personal in April 2016 (Sofora, Personal and Nortel were absorbed by Telecom Argentina). Mr. González is a founding member of the Argentine law firm Errecondo, González & Funes that provides services as legal counsel to the Company. Between 1995 and 1996, he worked as an international associate at the United States law firm White & Case LLP. He is a member of the Public Bar Association of the City of Buenos Aires (*Colegio Público de Abogados de la Capital Federal*) and of the Buenos Aires City Bar (*Colegio de Abogados de la Ciudad de Buenos Aires*). He was born on July 29, 1967.

Alejo Maxit is an industrial engineer from Universidad Instituto Tecnológico de Buenos Aires (ITBA) and has a Master's Degree in Corporate Finance from Universidad CEMA. He has been a member of the Board of Directors since April 2017, as proposal of ANSES-Fondo de Garantía de Sustentabilidad. He works as General Secretary at the Argentine National Social Security Administration - (ANSES). He was born on November 4, 1974.

María Lucila Romero is a lawyer from the Pontificia Universidad Católica Argentina. She is a partner at the Argentine law firm Saénz Valiente & Asociados. She has 24 years of professional experience. She specializes in corporate law, particularly mergers & acquisitions. She has been a member of the board of directors in various companies. Ms. Romero currently serves as alternate director of GC Dominio S.A and as alternate director of Telecom. She was born on August 12, 1967.

Sebastián Ricardo Frabosqui Díaz is a lawyer at Pontificia Universidad Católica Argentina, has a Master's Degree in Law and Economics at Universidad Torcuato Di Tella and a Master in Laws (LL.M) degree at Northwestern University. He has been an alternate director since January 2018. He is a partner at the law firm Sáenz Valiente & Asociados. He has 17 years of professional experience and specializes in Mergers & Acquisitions, general corporate consultancy, debt restructuring and capital markets. Between 2009 and 2010, he worked as foreign associate in the firms Fox, Horan & Camerini and Arnold & Porter at their respective offices in New York and Washington D.C. He was born on February 14, 1978.

Claudia I. Ostergaard is a lawyer from Universidad del Salvador. She is a partner at the Argentine law firm Saénz Valiente & Asociados. She has 17 years of professional experience. She specializes in civil, commercial and administrative law, particularly, damage liability in litigation cases. She has been a member of the board of directors of various companies. She was born on May 29, 1974.

Nicolás S. Novoa is a lawyer from Universidad del Salvador. He is a partner at the Argentine law firm Saénz Valiente & Asociados and a member of the governing board of the Argentine Association of Television Service Providers (ATA) and a member of the copyright work group of the International Association of Broadcasting (IAB). He is a delegate of the IAB before the Standing Committee on Copyright (SCCR) at the World Intellectual Property Organization (2006-2016) and a Visiting Professor in the Master's program in Intellectual Property at the Latin American Social Sciences Institute (FLACSO). Mr. Novoa currently is an alternate member of the Board of Directors of GC Dominio

S.A. He was born on May 28, 1974.

José Carlos Cura is an Economist graduated from the Universidad de Buenos Aires and holds a degree in Administration from the IAE Business School of Universidad Austral. He has been an alternate director since April 2017. He currently works as an independent financial and real estate advisor. He started his carrier in the financial business at Lloyds Bank, where he worked for different departments, including the Treasury Department. He was born on September 25, 1962.

Miguel Angel Graña is a Certified Public Accountant graduated from the Universidad de Buenos Aires with post-graduate studies at Harvard University. He has been an alternate director since January 2018 and was a permanent director of Telecom Personal S.A. (absorbed by Telecom Argentina) from March 2016 to November 2017. He is the Chairman of Compañía de Inversiones y Mandatos S.A. and Managing Partner at Megraso SRL. Previously, he was Managing Director at J. P. Morgan in charge of M&A at the Buenos Aires office and Chairman at the Nokia distributor in Argentina. He was born on December 15, 1957.

Facundo Goslino is a lawyer from Universidad Católica Argentina and has a Master of Laws degree (LL.M.) from Cornell Law School, New York. He is an alternate member of Telecom's Board of Directors since January 31, 2018. He is a partner associate at Errecondo, González & Funes- Abogados law firm. He also is a member of the Board of Directors and of the supervisory committee of other Argentine companies, mainly in the energy and gas distribution sectors. Mr. Goslino worked in Cleary Gottlieb Steen & Hamilton in 2006. He is a member of the Public Bar Association of the Ciudad Autónoma de Buenos Aires. He was born on January 19, 1975.

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Lucrecia María Delfina Moreira Savino is a lawyer with a degree from Universidad Católica Argentina. She has been an alternate director since January 2018. Mss. Moreira Savino is an associate of the law firm Errecondo, González & Funes. She is currently also alternate syndic of Caterpillar Financial Services S.A., PPG Industries Argentina SRL, Desarrolladora Energética S.A., Empresa Distribuidora La Plata S.A., AESEBA S.A.U., AES Pampa S.A.U. and Moneda Sociedad Gerente de Fondos Comunes de Inversión S.A. She was born on March 2, 1974.

Saturnino Jorge Funes is a lawyer with a degree from the Universidad del Salvador and a Master's degree in business law from the Universidad Austral, with honors. He is a founding partner of the law firm *Errecondo, González & Funes Abogados*. He worked at Shearman & Sterling LLP between 2000 and 2001 as an international associate. He is professor of corporate law at the *Universidad del Salvador* Law School in Buenos Aires, and a professor at the Masters in Finance and Masters in Law and Economics, both at the *Universidad Torcuato Di Tella* in Buenos Aires. He is a member of the Public Bar Association of the City of Buenos Aires (*Colegio Público de Abogados de la Capital Federal*) and of the Buenos Aires City Bar (*Colegio de Abogados de la Ciudad de Buenos Aires*). He was born on August 6, 1968.

Carolina Susana Curzi is a lawyer from the Universidad de Buenos Aires. She is an alternate member of Telecom's Board of Directors since January 31, 2018. She is a partner at *Errecondo, González & Funes- Abogados* law firm. She also is a member of the Board of Directors and of the supervisory committee of other Argentine companies, mainly in the energy and gas distribution sectors. She is a member of the Public Bar Association of the City of Buenos Aires. She was born on March 14, 1976.

Santiago Luis Ibarzábal Murphy is a business administrator from Universidad Católica Argentina and he also has a MBA from the IESE Business School, Universidad de Navarra. He has been an alternate director since April 2017, as a proposal of the shareholders of Administración Nacional de la Seguridad Social (ANSES)-Fondo de Garantía de Sustentabilidad. He worked for Grupo Nestlé, Johnson & Johnson, Grupo Inditex and for Instituto de Vivienda de la Ciudad Autónoma de Buenos Aires. He currently is *Director Ejecutivo de la Agencia Nacional de Discapacidad*. He was born on August 24, 1976.

Senior Management

As of December 31, 2018, Telecom's senior Management team includes the individuals listed below. Unless otherwise noted, these individuals are members of Telecom's senior Management as of the date of this Annual Report.

Name	Position (1)	Date of Designation
Carlos A. Moltini	Chief Executive Officer (CEO)	November 16, 2017
Roberto O. Nóbile	Deputy Director General	November 16, 2017
Gabriel P. Blasi	Chief Financial Officer (CFO)	September 27, 2017
Hernán P. Verdaguer	Director of Regulatory issues	November 27, 2017

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Pedro L. López Matheu	Director of Government Relations, Communications and Media	June 14, 2016
Pablo C. Casey	Director of Legal and institutional	November 16, 2017

Name	Position (1)	Date of Designation
Sebastián Palla	Director of Procurement	August 8, 2016
Sergio D. Farauo	Director of Human Capital	November 16, 2017
Gonzalo Hita	Chief Operating Officer (COO)	November 16, 2017
Miguel A. Fernandez	Chief Technology Officer (CTO)	November 16, 2017
Alejandro Miralles	Chief Audit & Compliance Officer	November 16, 2017
Pablo Esses	Chief Information Officer (CIO)	May 23, 2018
Gerardo Maurer	Director of Security	November 27, 2014
Fernando Cravero	Director of International Operations	March 1,2018

(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 Directors, Senior Management and Employees The Board of Directors above. The term of officer of Telecom s Senior Management is contractual in nature. Such contracts do not include a specified expiration date.

PART I - ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Carlos Alberto Moltini is a Certified Public Accountant with a degree from the Universidad de Buenos Aires. He was appointed CEO of the Company in November 2017. Until the merger between Cablevisión S.A. and the Company, he has been a member of the Board of Directors of Cablevisión S.A. since October 2006 and General Manager also since October 2006. Mr. Moltini was the General Manager of Multicanal S.A. for five years and, before that, he was the CFO of Arte Radiotelevisivo Argentino S.A. (Arter) for 7 years, a leading broadcasting channel in the Ciudad Autónoma de Buenos Aires, owned by Grupo Clarín. Previously, Mr. Moltini worked for Bagley Argentina S.A. and other broadcasting companies. He was born on November 16, 1960.

Roberto Nobile is a Certified Public Accountant with a degree from the Universidad de Buenos Aires and an AMP (Advanced Management Program) at Harvard Business School. He was appointed as General Sub - Director of the Company on November 27, 2017. Previously, he had been COO of the Company since May 2016 in charge of Marketing, Sales and Operations. Mr. Nobile has many years of experience in the telecommunications and media sector. In October 2006, he joined Cablevisión S.A., where he worked for 10 years, as COO and Deputy Managing Director. He joined Arthur Andersen in 1989. Subsequently, he worked at Honeywell as South Regional Controller (Brazil, Argentina and Chile). In 1997, he was CFO of Grupo Clarín. He was born on September 27, 1967.

Gabriel P. Blasi holds a degree in Business Administration and took post-graduate programs in Finance at Universidad del CEMA-Centro de Estudios Macroeconómicos Argentinos and at IAE (Universidad Austral). He held several managerial positions in Investment Banking and Capital Markets at Citibank and Banco Río (BSCH). Before joining IRSA Inversiones y Representaciones Sociedad Anónima, he was the CFO of Grupo Carrefour in Argentina and Goyaique S.A.C.I.F. y A. (Grupo Pérez Companc). Until 2011, he was the CFO of IRSA Inversiones y Representaciones Sociedad Anónima, Cresud S.A.C.I.F. y A. and Alto Palermo S.A. (APSA) and held several board positions in Argentina and abroad. He is currently the Chief Financial Officer of Telecom Argentina. He was born on November 22, 1960.

Hernán P. Verdaguer is a lawyer specialized in Corporate Law. He did a Postgraduate Program on Communications Law Update (Facultad de Derecho - Universidad de Buenos Aires) and a Postgraduate Program on Business Management (Universidad Argentina de la Empresa, UADE). He was appointed Director of Regulatory Affairs of the Company on November 27, 2017. He joined Diario Clarín in 1994 and then with the creation of Grupo Clarín, he held several positions until becoming Manager of Regulatory Affairs. He held such position until November 2017, when he joined Telecom Argentina. He was born on May 16, 1968.

Pedro Lopez Matheu is a lawyer with a degree from the Universidad Católica Argentina. Mr. Lopez Matheu has 20 years of experience in the institutional relations in first-line multinational and national companies. From 1996 to 2006 worked at Grupo Clarín as Public Affairs Manager. He was Chairman of the Newspaper Publisher Association of the City of Buenos Aires, and of the Press Freedom Commission of ADEPA (Asociación de Entidades Periodísticas Argentinas), Vice Chairman of the Association of Argentine Private Radios, and of other national and multinational entities of that sector. From 2006 to 2014 he was Corporate and Government Affairs at Kraft Foods and Mondelez, leading company of food and, for Argentina, Chile, Uruguay and Paraguay. Also, since 2014, he has been Corporate Affairs Director at AXION energy. He has skills at government relations, corporate and social responsibility, press

and corporate communication, crisis management and internal communication. He was born on May 23, 1966.

Pablo C. Casey is a lawyer from Universidad de Buenos Aires and holds a Master's Degree in Law and Economics from Universidad Torcuato Di Tella. He was appointed Director of Legal and Institutional Affairs of Telecom Argentina on November 16, 2017. Previously, he was a member of the Board of Directors of Cablevisión since October 2006. He had worked at Grupo Clarín directly and indirectly since 1986 as Manager of Institutional Affairs. Mr. Casey worked at Estudio Sáenz Valiente y Asociados until 1997, where he worked directly with Grupo Clarín. Between 1997 and 2005, he was the Manager of Legal Affairs of Multicanal. Mr. Casey was also a member of the Board of Directors of Grupo Clarín. He was born on June 20, 1967.

Sebastian Palla is an economist with a degree from the Universidad Torcuato Di Tella. He is Director of Procurement of Telecom Argentina since August 8, 2016. He has 21 years of experience, from 2009 to 2016, he has worked at Macro Bank as an advisor of the Chairman first, later in the Investment Banking Management area and finally in the Government Banking Management area. From 2006 to 2009, he was in charge of AFJP, first as Executive Director, and later as a Chairman. From 2002 to 2005, he worked in the public administration, as a Chief of Advisors of the Ministry of Finance and then as Sub-secretary of Finance of the Ministry of Economy and Public Finance. Mr. Palla was honored as a member of the Young Global Leaders Forum in 2005 (created by the World Economic Forum), also a member of the Eisenhower Fellowship in 2008; and was chosen as one of the most influential people of 2007, in Luciana Vazquez's book *The Education of Those Who Influence*. He was born on June 12, 1974.

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Sergio D. Faraudo is a lawyer from Universidad Nacional de La Plata and holds a Master's Degree in Economics and Political Science from ESEADE. He has been the Director of Human Capital of Telecom Argentina since November 2017. Between 2015 and 2017, he was the Corporate Director of Human Resources of Grupo Clarín. Between 2001 and 2015, he held managerial positions in Human Resources Areas at PSA Peugeot Citroën in Argentina, Spain, France and Brazil, including two years as Industrial Director of the local subsidiary. Between 1991 and 1995, he held a position in the Human Resources Management area at Telecom Argentina. Between 1987 and 1989, he was granted two scholarships from the French Government to study Law, New Technologies and Government Modernization. He published two novels and he is a yoga and meditation instructor. He was born on January 7, 1964.

Gonzalo Hita holds a Degree in Marketing from Universidad Argentina de la Empresa (UADE). He also took several specialization courses and programs for upper management at institutions such as IAE Business School (PAD), ESADE Business & Law School, and Universidad del CEMA. He was appointed COO of the Company on November 16, 2017 and has over 25 years of experience in the telecommunications industry. At Cablevisión S.A., he held, among others, the position of COO and, previously, he had been the Commercial Director since 2000. Mr. Gonzalo Hita was born on June 28, 1970.

Miguel Angel Fernández is an Electronic Engineer from Universidad de Bahía Blanca and also holds an EMBA Program from IAE (2000–2001). He was appointed CTO (Chief Technical Officer) of Telecom Argentina S.A. on November 16, 2017. He had held the same position at Cablevisión S.A. since 2007. Between 1994 and 2006, he was the Technical Manager of Multicanal, which evidences his vast experience in the telecommunications industry. Between 1990 and 1994, he was the Field Engineer at Western Atlas Petroleum Service Co. He was born on June 10, 1963.

Alejandro Miralles is an economist with a degree from the Universidad de Buenos Aires. He was appointed as Chief Audit & Compliance Officer last November 2017. Previously, he was the Director of Human Capital of Telecom Argentina since June 6, 2016. Before that, he has been Client Partner for more than five years at Korn Ferry, the leader global people and organizational advisory firm. He has also worked as Chief Financial Officer at Cablevisión for seven years and Chief Executive Officer at Teledigital Cable. Prior to that, he has been Investment Officer at CEI Citicorp Holdings and has worked at Citibank N.A. and at Manufacturers Hannover Trust. He was born on December 29, 1963.

Pablo Esses has a Bachelor's Degree in Business Administration, graduated from Universidad de Buenos Aires. He participated in many specialization courses in management, technology and leadership at international scope in United States and Europe. He was appointed as CIO of Telecom Argentina on May 2018. He has more than 25 years of experience in Business Consulting at Coopers & Lybrand, PricewaterhouseCoopers and IBM in Latin America helping corporations to achieve competitive advantage through business transformation and innovative technology solutions across diverse industries in both national and international operations. He was born on February 22, 1967.

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Gerardo Maurer is an engineer graduated from the Universidad de Buenos Aires. He joined Telecom Argentina in August 2006 and since then he held various positions within Internal Audit and Corporate Security. In November 2014, he was appointed as Corporate Security Director. Previously, he worked at United Nations Conference on Trade and Development (UNCTAD) in Geneva, Venezuela and Central America. He returned to Argentina in 1996 and joined the Audit Unit at La Caja de Ahorro y Seguro S.A. He was born on May 11, 1959.

Fernando Cravero holds an undergraduate degree in Marketing, an MBA (Master in Business Administration) and a PAD (Program for Top Management) from IAE Business School (Universidad Austral). He has also attended courses at ESADE Business & Law School. In March 2018, he was appointed as Telecom Argentina's Director of International Operations. Previously, he held the position of Operations Manager at Cablevision for seven years, and he had also been appointed Regional Manager of Operations at Multicanal in 2000. He founded a CATV company, which was sold in 1997, and has also held several positions in the financial sector. He was born on March 14, 1973.

PART I - ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Argentine law requires any corporation with share capital in excess of P\$50,000,000 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 of 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 (i) five members and (ii) 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, 2018 and as of the date of this Annual Report:

Name	Position on the Supervisory Committee	Profession
Pablo Buey Fernández	Member	Lawyer
Pablo Gabriel San Martín	Member	Accountant
María Ximena Digón	Member	Lawyer
Alejandro Héctor Massa	Member	Accountant
Eduardo J. Villegas Contte	Member	Accountant
Javier Alegría	Alternate Member	Lawyer
Rubén Suárez	Alternate Member	Accountant
Matías A. Fredriks	Alternate Member	Lawyer
Delfina Lynch	Alternate Member	Lawyer
Alfredo M. Segers	Alternate Member	Lawyer

Pablo Andrés Buey Fernández is a lawyer from the Universidad de Buenos Aires and has Master of Laws from Harvard University Law School. He has been a member of the Supervisory Committee of the Company since April 2016. He is Managing Partner at the law firm Alegría, Buey Fernández, Fissore and Montemerlo. Mr. Buey Fernández was an associate foreign lawyer at the firm Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey. He is a member of several professional associations. He was a professor at Master's Degrees programs, post-graduate courses and seminars at Escuela Superior de Economía y Administración de Empresas, at the Facultad de Derecho and the

Facultad de Ciencias Económicas de la Universidad de Buenos Aires, and at the Facultad de Derecho of Universidad del Salvador. He was born on August 8, 1957.

Pablo Gabriel San Martín has been a member of the Supervisory Committee since April 2018. He is the President of SMS Latinoamerica and Partner Director of SMS San Martín, Suarez y Asociados. Mr. San Martín serves as Chairman of the Audit Committee of the Transnational Auditors Committee of IFAC (International Federation of Accountants.) He served as auditor at the firm Pistrelli, Díaz y Asociados (Arthur Andersen). He is a member of several professional associations and of the steering committee of several binational business chambers and professional organizations. He was a professor at the School of Economic Sciences of Universidad de Buenos Aires and Universidad del Salvador. He wrote articles on subjects within his field of expertise and is regularly invited as lecturer and guest speaker at Argentine and foreign universities. He is a Certified Public Accountant graduated from Universidad de Buenos Aires. He was born on May 1, 1963.

María Ximena Digón is a lawyer graduated with an Honor Diploma from Universidad Católica Argentina. She has been a member of Telecom's supervisory committee since 2017. She is a partner at Errecondo, González & Funes- Abogados law firm. She also is a member of the Board of Directors and of the supervisory committee of other Argentine companies, mainly in the energy and gas distribution sectors. She is a member of the Public Bar Association of the City of Buenos Aires. She was born on June 11, 1975.

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Alejandro Héctor Massa has been a member of the Supervisory Committee since April 2018. He was a partner of Deloitte & Co SRL from 1999 to 2017, after Morgan Benedit y Asociados became a member of Deloitte. He is a member of the Argentine Fiscal Association and was a member of the International Fiscal Association. He was a professor at courses and graduate studies in the School of Economic Sciences of Universidad de Buenos Aires, at graduate studies in Universidad Austral located in Rosario, and he served as author and speaker about subjects within his field of expertise. He is a Certified Public Accountant graduated from Universidad de Buenos Aires. He was born on November 3, 1954.

Eduardo Javier Villegas Contte has been a member of the Supervisory Committee since April 2018. Mr. Villegas Contte served as Director of Internal Audit at AySA, Corporate Finance Manager at Grupo Metropolitano, General Manager at Aguas de Balcarce SA, Director of Administration and Finance at Metrogas SA. He worked at Pistrelli, Díaz y Asociados (member of Arthur Andersen & Co) and at Arthur Andersen & Co in Spain and Italy. He is a Certified Public Accountant graduated from Universidad de Buenos Aires. He also graduated from the Executive Development Program at Kellogg School of Management, Northwestern University Chicago USA. He was born on November 22, 1955.

Javier Alegria is a lawyer with a degree from the Universidad Católica Argentina. He is also a partner at the law firm Estudio Alegria, Buey Fernández, Fissore & Montemerlo. He received a Master of Law from Northwestern University and a certificate in Business Administration from the Kellogg School of Management at Northwestern University. He acted as an international lawyer with Cleary, Gottlieb, Steen & Hamilton LLP law firm from 2003 to 2004. Mr. Alegria is a member of the Public Bar Association of the City of Buenos Aires. He is a professor at the Universidad de Buenos Aires Law School and Universidad del CEMA. He was born on August 7, 1974.

Rubén Suárez has been an alternate member of the Supervisory Committee since April 2018. He is a Director at SMS Latinoamérica and a Founding Partner of SMS San Martín, Suárez y Asociados. He was a professor at the School of Economic Sciences of Universidad de Buenos Aires and Universidad del Salvador. Permanent and alternate statutory auditor and member of the Supervisory Committee of other Argentine companies. He served as auditor at the firm Pistrelli, Díaz y Asociados (Arthur Andersen). He is a Certified Public Accountant graduated from Universidad de Buenos Aires. He was born on January 14, 1961.

Matías A. Fredriks has been an alternate member of the Supervisory Committee since April 2018. He is a partner of the firm Sáenz Valiente & Asociados. Mr. Fredriks is a lawyer graduated from Universidad Nacional de La Plata and holds a Postgraduate Degree in Administrative Law from Instituto de Estudios Judiciales de la Suprema Corte de Justicia de la Provincia de Buenos Aires and a Master's Degree in Human Resources Management from Instituto de Empresa 1991/1992-Madrid-Spain. Before joining the firm Sáenz Valiente in 1994, Mr. Fredriks worked as a lawyer in the Corporate and Legal Advisory division of the firm PRICE WATERHOUSE & Co., as an advisor of Unión de Industriales de Quilmes, of Instituto de Previsión Social de la Provincia de Corrientes, and of Dirección Provincial de Personas Jurídicas de la Provincia de Buenos Aires. He worked on takeovers and transfers in several privatizations such as Yacimientos Carboníferos de Río Turbio and Centrales Térmicas de Generación de Energía Eléctrica del Noreste Argentino. In addition, he worked as Director of Labor Affairs of the Liquidation Commission of Empresa

Nacional de Telecomunicaciones. Since he joined the firm Sáenz Valiente, he has worked in several litigation areas, being responsible for the department in charge of labor, trade associations and trade unions matters. Mr. Fredriks has served as director and statutory auditor at several companies before being appointed as an alternate member of the Supervisory Committee. He was born on August 27, 1964.

Delfina Lynch has been an alternate member of the Supervisory Committee since April 2018. She is an associate of the law firm Errecondo, González & Funes. She is also an alternate member of the supervisory committee of other Argentine companies, mainly in the energy sector. Mrs. Lynch graduated as a lawyer with honors from Universidad Católica Argentina. She is a member of the Bar Association of the City of Buenos Aires. She was born on April 21, 1991.

Alfredo Mario Segers has been a member of the Supervisory Committee of Telecom Argentina S.A. since April 2018. He graduated as a lawyer from Universidad Austral and conducted part of his studies at the University of California, Hastings College of the Law. Mr. Segers obtained a Masters Degree in Economic and Business Law from Universidad Católica Argentina and has been a member of the Bar Association of the City of Buenos Aires since 2012. He was born on September 13, 1986.

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.

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Compensation

The compensation of the members of the Board of Directors and the Supervisory Committee is established for each fiscal year at the Annual Ordinary Shareholders Meeting.

The aggregate compensation paid by Telecom to the members of the Board of Directors and the Supervisory Committee, acting since April 25, 2018, and the executive officers described under Senior Management above, was approximately P\$209 million for the year ended December 31, 2018.

As of December 31, 2018, the accrued compensation to the members of the Board of Directors and Supervisory Committee in connection with their duties performed since April 25, 2018 was approximately P\$83 million and P\$12 million, respectively. Such accrued compensation is subject to approval by the Annual Ordinary Shareholders Meeting of 2019.

As of the date of this Annual Report, compensation paid as advance payments to members of the Board of Directors and Supervisory Committee acting since April 25, 2018 was P\$36 million and P\$7 million, respectively. Those advance payments were authorized by the Annual Ordinary Shareholders Meeting held on April 25, 2018 and will be deducted from the final compensation determined by the Annual Ordinary Shareholders Meeting of 2019, based on the amount proposed by the Board of Directors to the shareholders, with the prior opinion of the Audit Committee of Telecom Argentina (the Audit Committee).

Compensation for the executive officers described under Senior Management above, amounted to approximately P\$324 million for the year ended December 31, 2018 (including fixed and variable compensation, retention plan benefits and, in some cases, severance payments), of which approximately P\$167 million were paid as of December 31, 2018.

The Company's managers (including Senior Management) receive fixed and variable compensation. A manager's fixed compensation corresponds with 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.

Amounts detailed below are determined in terms of the currency of the transactions dates.

During the year ended December 31, 2018, 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.

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 Shareholders 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.

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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 Capital Markets Law Law No. 26,831 below). The intention of this decree, which is also stated within Law No. 26,831, 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.

On May 11, 2018, Productive Financing Law No. 27,440 was published in the Official Gazette. This law established several amendments to the Capital Markets Law No. 26,831 regarding the extent of the powers of the CNV; the exercise of preemptive rights on shares offered through public offering in the case of capital increases; private placements; public tender offers; the jurisdiction of the federal commercial courts of appeals to review the resolutions issued or sanctions imposed by the CNV, among other amendments.

With regard to public tender offers, under the previous regime, the offeror was obliged to formulate a fair price to be fixed by weighing the results of different company valuation methods, with a minimum floor related to the average market price for the six-month period immediately preceding the date of the agreement. Pursuant to the amendments introduced by Law No. 27,440 to the Capital Markets Law, the obligation is objective and consists in offering the higher of two existing prices: the price that the offeror would have paid or agreed during the 12 months immediately preceding the first day of the public tender offer period, and the average price of the securities subject to the offer during the semester immediately preceding the date of the announcement of the transaction under which the change of control is agreed upon.

On December 28, 2018 CNV Resolution 779/2018 was published in the Official Gazette through which the CNV Rules were modified in relation to public tender offers.

Law No. 26,831 (previously, the Transparency Decree) 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 or her presence at a meeting at which a resolution was adopted or his or her knowledge of the resolution, a written record exists of his opposition thereto and he or she reports his opposition to the Supervisory Committee before any complaint against him or her is brought before the Board of Directors, the Supervisory Committee, the Annual Ordinary 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 that this liability does not result from a violation of the Telecom Argentina's bylaws, the Argentine law or regulations.

Additionally, Law No. 26,831 provides that those who infringe upon 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.

On July 28, 2016 Decree No. 894/16 was published, which modifies Decree No. 1,278/12, establishing that in those companies whose shares integrate the investment portfolio of the FGS, the corporate, political, and economic rights pertaining to such shares shall not be exercised by the Secretary of Economic Policy and Development Planning, but they are to be exercised by the ANSES.

In addition, Decree No. 894/16 established that the directors appointed by the ANSES shall have the functions, duties and powers set out by the GCL, the Law of Capital Market No. 26,831 and its complementary and regulatory provisions, all the regulations applicable to the company in which they perform duties, their bylaws and internal regulations, and shall have all the responsibilities they might be liable for under these rules; as a result the provisions of Decrees No. 1,278/12 and No. 196/15 (the latter in respect of delimitation of responsibility) are no longer applicable.

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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\$75,000,000.

In May 2004, the Board of Directors of Telecom Argentina resolved to create the Steering Committee (Consejo de Dirección), which served as an internal body of the Board of Directors and was comprised of four members of the Board of Directors. The Steering Committee ceased its functions on January 31, 2018.

Executive Committee

Telecom Argentina's bylaws grant the Board of Directors the power to appoint an Executive Committee formed by some of its members and be in charge of Telecom Argentina's day-to-day affairs, in each case under the supervision of the Board of Directors. The Board of Directors decided to appoint an Executive Committee on January 1, 2018. On January 31, 2018 the Board of Directors approved the Rules of the Executive Committee (Reglamento de Facultades y Funcionamiento) and on that date the Executive Committee started functions. The Executive Committee members are: Alejandro Alberto Urricelqui, Damián Fabio Cassino, Sebastián Bardengo, Mariano Marcelo Ibáñez y Germán Horacio Vidal.

Operating Committee

In April 2013, the Boards of Directors of Telecom Argentina and Personal decided to create the Operating Committee as an internal body of both entities, with the following duties: (i) approving any transactions determined by the authorization regime within the limits that may be prescribed, as a tier above the level assigned to the CEO and prior to the Board of Directors; and (ii) approving transactions with related parties up to P\$10,000,000. The Operating Committee ceased its functions on January 31, 2018.

Audit Committee

Law No. 26,831 provides that companies with publicly-listed shares shall appoint an 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 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 Gazette on April 5, 2002, the provisions of the Transparency Decree, which are now part of Law No. 26,831, 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 Regulation for the implementation of the Audit Committee (*Normativa de Implementación del Comité de Auditoría*) which is 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 office until the following Annual Shareholders Meeting.

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According to Law No. 26,831 the duties of the Audit Committee are:

- providing the market with complete information on transactions in 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, according to the Regulation for the Implementation of the Audit Committee, the Audit Committee also reviews the plans of internal auditors, supervising and evaluating their performance.

On January 1, 2018, Telecom Argentina's Board of Directors appointed Mr. Carlos Alejandro Harrison, Mr. Germán Horacio Vidal and Mr. Martín Hector D'Ambrosio as members of Telecom Argentina's Audit Committee and they were reelected both as Board members and as Audit Committee members at the Shareholders' Meeting and at the Board of Directors' Meeting held on January 31, 2018, respectively and as Audit Committee members at the meeting of the Board of Directors held on April 25th, 2018. Furthermore, the Board of Directors determined that Mr. Harrison qualifies as the audit committee financial expert under SEC guidelines.

Under SEC and NYSE regulations, Mr. Carlos Alejandro Harrison, Mr. Martín Hector D'Ambrosio and Mr. Germán Horacio Vidal qualify as independent directors. Under CNV regulations, only Mr. Harrison and Mr. D'Ambrosio qualify as independent directors.

As of the date of this Annual Report, the Board of Directors' meeting for the appointment of the Audit Committee members for the fiscal year 2019 has not yet been held. Therefore, as of the date of this Annual Report, the following members of Telecom Argentina's Audit Committee are still in office: Mr. Carlos Alejandro Harrison, Mr. Martín Hector D'Ambrosio and Mr. Germán Horacio Vidal.

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Pursuant to the 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 2018, a budget of P\$4,000,000 was approved for Audit Committee expenditures. As of the date of this Annual Report, the Annual Shareholders Meeting approving the Audit Committee expenditures for year 2019 has not yet been held.

Risk Management Committee

In 2012, the Board of Directors of Telecom Argentina approved the implementation of an Enterprise Risk Management Process at Telecom, and the creation of a Risk Management Committee as of the date of issuance of this Annual Report. The Committee is chaired by the CEO, and is composed by Senior Managers and the Chief Audit & Compliance Officer, led and coordinated by the CFO. The Board of Directors of Telecom Argentina also approved the creation of the Risk Management function (at the managerial level), whose responsible person also serves as Secretary of the Risk Management Committee and reports to the CFO.

The duties of this committee include reviewing and implementing policies, mechanisms and procedures to identify, to measure and to mitigate risks for Telecom Argentina, and also recommend any steps or adjustments it deems necessary to reduce the risk profile of the organization.

The Company follows the guidelines provided under the Enterprise Risk Management Integrated Framework 2004 issued by COSO, in order to carry on its Enterprise Risk Management process. Financial reporting risks are reviewed and certified under section 404 of the Sarbanes Oxley Act.

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Telecom Argentina has different action plans that endeavor to mitigate, in whole or in part, high impact risks for Telecom. However, it cannot be assured that such plans are totally effective, or other events, unforeseen at the date of this Annual Report, could arise and affect the performance of the Telecom Group.

Employees and Labor Relations

Following the Merger, our employees are represented by different trade unions and labor organizations, including FATEL (Argentine Federation of Telecommunications) and FOESITRA (Argentine Federation of Workers, Specialists and Employees of the Telecommunications Industry and Services), both federations are comprised of different trade unions, UPJET (Union representing the Senior Staff of Telecommunication Companies), FOPSTTA (Argentine Federation of Unions representing the Technical and Supervisory Staff of Telephone Companies) and CEPETEL (Union of Telecommunications Professionals), associations that represent senior and professional staff and SATSAID (Argentine Union of Television, Audiovisual, Interactive and Data Services), a single union that represents both workers and the senior staff, as well as unions representing trade employees, traveling salespeople, announcers and press workers.

Telecom Argentina, as surviving company of Cablevisión, fosters freedom of association and complies with the different collective bargaining agreements executed by the latter with SATSAID, SAL and the different unions that represent press workers.

In addition, Telecom actively promoted communication with all trade unions and with the different stakeholders involved, creating formal and informal communication channels, at national and local level, with union leaders and internal committees. It encouraged and fostered working in shared spaces with all the trade unions, convening joint and ongoing work meetings to address the following topics: Occupational Health and Safety, the Environment, Training, Diversity and Occupational Guidance and Work Organization. All the union representations attended and actively participated in those meetings.

We conducted wage negotiations with all the trade unions aiming to adjust salaries to the significant increase in inflation rates. Wage negotiations were conducted in a peaceful environment and we were not the object of strikes or other direct action measures. Collective bargaining agreements were executed with the Argentine Association of Cable Television for the employees represented by SATSAID and SAL, and directly with the Trade Union Unity that groups the different telephone trade unions (FATEL, FOESITRA, FOPPSTA, CEPETEL), UPJET and press worker unions.

Share Ownership

Share Ownership by directors, executive officers, and Supervisory Committee members

Obligations or capital stock of Telecom Argentina held by members of the Board of Directors and Supervisory Committee:

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- Alejandro Urricelqui: 310,445 Class B shares
- Mariano Ibáñez: 4,370 ADR´s
- Ignacio Saenz Valiente: (indirectly) 11,925 Class B shares and 450 ADR´s.
- Damián Cassino: 1,300 ADRs
- Baruki González: 32,500 ADRs
- Saturnino Funes: 25,497 Class B shares
- Pablo G. San Martín: 4,350 Class B shares

Mr. Roberto Nobile holds 7,000 Class B shares of Telecom Argentina, Mr. Gabriel Blasi holds 3,500 ADR´s of Telecom Argentina, Mr. Fernando Cravero holds 20,000 Class B shares and 1,200 ADR´s, Mr. Pablo Esses holds 1,150 ADR´s and Mr. Héctor D. Cazzasa holds 500 ADR´s. No other member of Telecom Argentina´s senior management holds obligations or capital stock of Telecom Argentina.

PART I - ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Share Ownership Plan

At the time of the privatization of ENTel in 1990, the Argentine government created a Share Ownership Plan (SOP), for the employees of ENTel and CAT, which were 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 or 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 precedent conditions. However, the shares held in the Guaranty and Repurchase Fund were still subject to transfer restrictions until an injunction prohibiting the trading or selling of these shares was lifted. Decree No. 1,623/99 provided that once the injunction was lifted, the sale of an amount of shares in the Guaranty and Repurchase Fund, would 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 would 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.

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, 4,382,408 Class C Shares have been converted to Class B Shares in eleven tranches. As of the date of this Annual Report, the outstanding number of Class C Shares is 210,866.

Table of Contents**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****Ownership of Telecom Argentina Common Stock**

The following table sets forth, as of December 31, 2018, each beneficial owner of 5% or more of each class of Telecom Argentina's shares.

	Number of Shares Owned	Percent of Class	Percent of Total Capital Stock (1)
Class A Ordinary Shares:			
Fintech Telecom LLC	683,856,600	100.00%	31.53%
Class B Ordinary Shares (listed in BCBA):			
ANSES - FGS	246,018,839	38.25%	11.34%
Treasury Shares	15,221,373	2.37%	0.70%
Others (2)	381,935,048	59.38%	17.61%
Class C Ordinary Shares:			
Others	210,866	100.00%	0.01%
Class D Ordinary Shares:			
Cablevisión Holding S.A	406,757,183	48.33%	18.75%
VLG S.A.U.	434,909,475	51.67%	20.06%

(1) Represents the respective percentage over the total of Telecom Argentina's ordinary shares, regardless of their class.

(2) Includes 186,999,612 Class B Shares in the form of ADSs owned by Fintech representing 29.07% of total Class B Common Shares (including Treasury Shares) and 8.62% of Telecom Argentina's total capital stock.

As of December 31, 2018, there were approximately 65.9 million American Depositary Shares outstanding (representing rights to 329.5 million Class B Shares or 52.48% of total Class B Shares, excluding Treasury Shares). Further, as of December 31, 2018, there were approximately 74 registered holders of American Depositary Shares in the United States and approximately 18,000 holders 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 GCL, the rights of any shares, while held by Telecom Argentina, shall be suspended. Further, Class A Shares and Class D Shares have certain veto rights, as described in **The Telecom Shareholders Agreement**.

Major Shareholders

Until November 30, 2017, Nortel owned all of Telecom Argentina's Class A Ordinary Shares (which represented 51% of our total capital stock) and approximately 7.64% of our Class B Ordinary Shares (which represented 3.74% of our total capital stock, including 15,221,373 Class B Shares that we held as treasury stock).

In turn, Nortel's capital stock was comprised of (i) shares of common stock (78.38% of Nortel's total capital stock) all of them owned by Sofora, and (ii) Preferred Series B shares (21.62% of Nortel's the capital stock), without voting rights. As of November 30, 2017, 100% of Sofora's shares were owned by Fintech Telecom LLC (see Amortization of Sofora Shares). On November 30, 2017, pursuant to the Reorganization, Sofora, Nortel and Telecom Personal merged into Telecom Argentina. After giving effect to the Reorganization, Fintech Telecom LLC became a direct holder of 34.64% of Telecom Argentina's total capital stock (equivalent to 35.190 of its outstanding capital).

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

PART I - ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

TELECOM ARGENTINA S.A.

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Amortization of Sofora Shares

In March 2017, in two tranches Sofora accepted WAI's offer to amortize 140,704,640 shares of Sofora owned by WAI, representing 32% of Sofora's capital stock, in accordance with the provisions of Sections 223 and 228 of the GCL. As a result of the amortization, Sofora agreed to pay WAI an amount equal to the par value of WAI's shares of capital stock issued by Sofora (\$140,704,640), and to issue to WAI one or more dividend certificates (Class A Bonos de Goce) evidencing WAI's right to receive US\$461.3 million out of any dividends paid by Sofora going forward.

On May 23, 2017, Sofora amortized 74,749,340 of its shares owned by WAI, representing 17% of Sofora's capital stock. Sofora paid WAI \$74,749,340 and issued a Class A Bono de Goce to WAI which granted the holder the right to receive US\$ 245.0 million out of any dividends paid by Sofora thereafter. In connection with that amortization, all members and alternate members of the Board of Directors and of the Supervisory Committee of Telecom Argentina, Personal, Nortel and Sofora that had been appointed by WAI tendered their resignations. On May 23, 2017, WAI and Fintech terminated the effect of the clauses related to the governance to Telecom under their shareholders' agreement related to Sofora. As of June 22, 2017, Sofora amortized all of its shares previously held by WAI and it ceased to be a shareholder of Sofora. As a result, the shareholders' agreement among the Sofora shareholders terminated by its terms. On June 6, 2017, our shareholders appointed two directors, two alternate directors, one member of the Supervisory Committee and one alternate member of the Supervisory Committee to complete the term of duties of the resigning members and alternate members of our Board of Directors and our Supervisory Committee.

Upon obtaining ENACOM's approval of the Reorganization, on June 22, 2017, Sofora amortized the remaining 65,955,300 shares owned by WAI. As a result of this amortization, Sofora paid WAI \$65,955,300 and issued an additional Class A Bono de Goce which granted the holder the right to receive US\$ 216.3 million out of any dividends paid by Sofora thereafter. As of the date of this Annual Report, the holders of the Class A Bonos de Goce have collected the full amount of dividends to which they were entitled.

The Reorganization

On March 31, 2017, Sofora, Personal, Nortel and Telecom Argentina entered into a preliminary reorganization agreement (the Preliminary Reorganization Agreement) providing for the merger of each of Nortel, Sofora and Personal into Telecom Argentina according to the provisions of sections 82 and 83 of the GCL.

On May 23, 2017, our shareholders approved the following actions:

- i. the conversion of up to 161,039,447 Class A Common Shares, par value \$1 entitled to one vote per share into 161,039,447 Class B Common Shares, par value \$1 and entitled to one vote per share, to be delivered to the holders of Nortel's Series B preferred Shares (the conversion was effective on December 15, 2017); and

ii. the amendment of provisions of our Bylaws describing our share capital and certain exchange mechanisms; and the removal of restrictions on the transfer of our Class A common shares.

Our bylaws as amended by the Shareholders' Meeting held on May 23, 2017 were registered with the *Inspección General de Justicia* on March 21, 2018.

The Reorganization was conditioned on regulatory approvals by ENACOM, all of which were obtained by November 24, 2017. The Reorganization became effective on December 1, 2017.

PART I - ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

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As a result of the Reorganization, Telecom Argentina succeeded in all rights, obligations and responsibilities of any nature to Personal, Sofora and Nortel, which were dissolved without liquidation. Telecom Argentina assumed all of Sofora's obligations under the Class A Bonos de Goce and all of Personal's obligations under the notes issued under its Notes Global Program. As of the date of this Annual Report, the Class A Bonos de Goce have collected the full amount of dividends to which they were entitled. Personal's Series I, II, III and IV notes were paid in full on their due date.

On March 21, 2018, the Reorganization and the dissolution without liquidation of each of the absorbed companies were registered with the IGJ.

Pursuant to the Reorganization:

- (i) 340,994,852 Class A Common Shares of Telecom Argentina were distributed to Fintech as the only holder of Sofora Common Shares,
- (ii) 161,039,447 Class A of Telecom Argentina were converted into Telecom Argentina Class B Common Shares,
- (iii) the Class B Common Shares of Telecom Argentina owned by Nortel (including any Class B Shares resulting from the conversion mentioned above) were distributed to the holders of Nortel Series B preferred Shares.

Telecom Argentina did not issue any new Class B Common Shares or Class A Common Shares in connection with the Reorganization.

The Merger

On June 30, 2017, Telecom Argentina and Cablevisión executed a preliminary merger agreement providing that Telecom Argentina would absorb Cablevisión, in accordance with the provisions of Sections 82 and 83 of the GCL, subject to prior satisfaction or waiver of certain conditions stated in the Preliminary Merger Agreement, including certain regulatory approvals (the Merger).

Cablevisión S.A.'s capital stock was owned, directly and indirectly, by Cablevisión Holding S.A. (60%) (CVH) and Fintech Media (LLC) (40%).

Cablevisión Holding S.A. is an Argentine corporation and its primary purpose is to hold capital stock in corporations whose object and purpose is to provide Information and Communication Technology Services (ICT Services) and to provide Audiovisual Communication Services (ICT Services). Its controlling shareholder, in turn, is GC Dominio S.A, another Argentine corporation.

Pursuant to the terms of the Merger, and to the provisions of Section 83, item c) of the GCL, the holders of one common share of Cablevisión S.A. received 9,871.07005 new common shares of Telecom Argentina, an exchange that was considered fair from a financial perspective by two independent valuation experts.

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On July 7, 2017, Fintech Telecom, certain of its affiliates and CVH entered into an agreement, including provisions relating to our governance, which would become effective upon the Merger becoming effective, and provisions regarding share transfers and other matters that became effective immediately. See The Telecom Shareholders Agreement.

In addition, Fintech Telecom and certain of its related parties entered into an Option Agreement, dated July 7, 2017 with CVH, which provided CVH the option to purchase, directly or indirectly, 13.51% of the total outstanding capital of Telecom Argentina (after giving effect to the Reorganization but prior to the Merger), which could be exercised until the earlier of: i) 60 days after the regulatory approval of the Merger; (ii) five business days prior to the effective date of the Merger and (iii) July 7, 2018. On October 5, 2017, CVH made an advance payment of the call option price for an aggregate amount of US\$634,275,282. On December 27, 2017, CVH exercised the call option and, upon the effectiveness of the Merger, became the owner of additional shares issued by Telecom Argentina.

PART I - ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

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All the conditions to which the Merger was subject were satisfied and the Merger was consummated on January 1, 2018.

Telecom Argentina's capital stock as of January 1, 2018 was comprised of the following:

	Outstanding shares	Treasury shares	Total capital stock
Shares			
Class A	683,856,600		683,856,600
Class B	627,930,005	15,221,373	643,151,378
Class C	234,748		234,748
Class D	841,666,658		841,666,658
Total	2,153,688,011	15,221,373	2,168,909,384

As of the Merger Effective Date, Telecom Argentina succeeded in all of the assets and liabilities (including registered assets, licenses, rights and obligations) of Cablevisión and will continue the operations of Cablevisión, generating the corresponding operative, accounting and tax effects.

We have accounted for the Merger as a business combination using the acquisition method of accounting under IFRS 3. The Merger constituted a reverse acquisition, pursuant to which Cablevisión (the legal absorbed entity) was considered the accounting acquirer and Telecom Argentina (the surviving entity) was considered the accounting acquiree.

The factors that were considered in determining that Cablevisión should be treated as the accounting acquirer in the Merger were:

- (i) the relative voting rights in the surviving entity (55% for the former shareholders of Cablevisión and 45% for the former shareholders of Telecom);
- (ii) the composition of the board of directors in the surviving entity and other committees (audit, supervisory and executive);
- (iii) the relative fair value assigned to Cablevisión and Telecom; and
- (iv) the composition of the key senior management of the surviving entity.

Accordingly, Cablevisión's assets and liabilities were recognized and measured in the consolidated financial statements at their pre-Merger carrying amounts, while the identifiable assets and liabilities of Telecom Argentina were recognized at fair value as of the Merger effective date. Goodwill resulting from the application of the acquisition method was measured as the excess of the fair value of the consideration paid over the net fair value of Telecom Argentina's identifiable assets and liabilities. The retained earnings and other equity balances recognized in the consolidated financial statements of the combined entity are the sum of the respective amounts of the individual financial statements of Telecom Argentina and Cablevisión immediately before the Merger (with some exceptions (see Note 4.a) to our Consolidated Financial Statements.

Financial figures are restated in terms of the current currency of December 31, 2018.

Telecom Shareholders Agreement

On July 7, 2017, Fintech Telecom, LLC (FTL), certain of its affiliates and CVH entered into a shareholders agreement (TEO Shareholders Agreement), which regulates certain matters as to the corporate governance of Telecom Argentina which became effective upon completion of the Merger, while other provisions became effective simultaneously upon execution of the Telecom Shareholders Agreement.

The Telecom Shareholders Agreement provides, among other matters, the following:

- Any shareholders party to the Telecom Shareholders Agreement (any such shareholder, a SHA Party) are subject to restrictions on the transfer of all their Telecom Argentina shares including (i) the right of first refusal to purchase such shares from a selling SHA Party, (ii) certain tag-along rights of each other SHA Party and (iii) so long as a SHA Party holds at least a certain minimum amount of shares, such SHA Party will be entitled to certain drag-along rights pursuant to which it will be able to require the other SHA Parties to sell, together with the dragging SHA Party, a number of shares that represents in the aggregate at least fifty-one percent (51%) of our shares;

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- FTL and CVH have undertaken to execute a voting trust agreement (the "Voting Trust Agreement") pursuant to which each (i) will deposit certain shares (in the case of CVH's shares, the "Class D Trust Shares" and in the case of FTL's shares, the "Class A Trust Shares") in a voting trust (the "CVH Voting Trust"), which, when added to the shares held by CVH, will exceed fifty percent (50%) of the outstanding shares, and (ii) will appoint a co-trustee who will be designated to vote the shares in accordance with the terms of the Voting Trust Agreement. The CVH Voting Trust will cause its shares to be voted pursuant to the instructions of the CVH co-trustee, except with respect to certain veto matters, in which case the FTL co-trustee will determine how the shares subject to the Voting Trust will be voted. As of the date of issuance of this Annual Report, the Voting Trust Agreement is in the process of formalization;
- The Board of Directors of Telecom Argentina will consist of an odd number of members between 11 to 17. Each of FTL, CVH and the Voting Trust will vote or cause to be voted, their shares, whether held directly or indirectly, in favor of the election of directors designated by FTL and CVH, a majority of which will be designated by CVH, subject to CVH and FTL satisfying certain ownership thresholds of the shares;
- Subject to CVH and FTL satisfying certain ownership thresholds of the shares, CVH will be entitled to designate the Chief Executive Officer and all key employees of Telecom and its subsidiaries other than the CFO and the Internal Auditor, including the Chief Operating Officer, Chief Technical Officer, Director of Supply, Legal Director, Human Resources Director, Regulatory Affairs Director, Institutional Relationship Director, Chief of Compliance, any other officer or employee having a direct line of reporting to the CEO or a joint line of reporting to the CEO and the Vice Chairman of the Board or the Deputy CEO and any other officer or employee holding commensurate responsibilities. FTL will be entitled to designate the Chief Financial Officer and the Internal Auditor;
- An executive committee of Telecom will be established consisting of five members, of which three will be designated by CVH and two will be designated by FTL, in each case subject to the SHA Party maintaining certain ownership thresholds. In addition, CVH will be entitled to designate two members of our statutory audit committee and three members of our statutory supervisory committee (*comisión fiscalizadora*) and FTL will be entitled to designate one member of the statutory audit committee and two members of the statutory supervisory committee;
- Prior to each of our shareholder meetings or any other meeting upon which certain veto matters will be decided, CVH and FTL agree to hold meetings at which their representatives will determine how CVH and FTL, and the Voting Trust, if in effect, will vote their shares at such meeting in accordance with the provisions of the TEO Shareholders Agreement;
- We are required to maintain a listing of the Class B Shares and the ADSs representing the Class B Shares on the Securities Market of Buenos Aires (*Bolsas y Mercados Argentinos*) and the New York Stock Exchange, respectively;

- Each SHA Party and its respective affiliates is prohibited from acquiring any of our capital stock from a third party without (i) proper notice to the other SHA Parties and (ii) the right for such other SHA Parties to purchase fifty percent (50%) of the shares to be purchased from the third-party; provided that CVH may acquire an additional two percent (2%) of our shares without complying with the foregoing obligations;
- In the event that a tender offer (*oferta pública de adquisición*) was required in connection with the Merger, CVH would launch such tender offer to acquire Class B Shares, and FTL would be jointly and severally liable for payment for, and would receive following the closing of such tender offer, fifty percent (50%) of any of our Class B shares tendered in such tender offer; subject to the right of CVH to acquire 100% of the shares tendered until it acquired shares (including any Telecom shares acquired (other than from FTL and its affiliates) since the Merger Effective Date) representing up to 2% of Telecom's total capital stock, see [Public tender offer due to change of control](#) ;
- Subject to satisfying certain ownership thresholds, each of FTL and CVH, and certain other shareholders that subsequently become a SHA Party, will have certain veto rights over our corporate governance matters;
- The SHA Parties agree to cause us to declare and pay dividends if its consolidated operating cash flows exceed a certain threshold, after taking into consideration certain adjustments; and
- Each SHA Party will have certain registration rights with respect to our Class B Shares subject to the SHA Party satisfying certain ownership thresholds.

A copy of the Telecom Shareholders Agreement has been filed with the SEC and can be found as Exhibit 99.3 incorporated by reference into the Schedule 13D filed on January 2, 2018. As a result of the Merger and the arrangements resulting from the Telecom Shareholders Agreement, CVH has been considered to have acquired control of us.

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Public Tender Offer due to change of control

On June 21, 2018, the Company was informed of the promotion and formulation by CVH (or the Offeror) of a Mandatory Public Tender Offer (PTO) for all the Class B common shares issued by Telecom Argentina listed on Bolsas y Mercados Argentinos S.A. (BYMA) (including the Class C common shares issued by Telecom Argentina that might be converted into Class B common shares within the stipulated term) (the Shares, or in singular, the Share), which CVH was obliged to launch as a result of the change of control in the Company. CVH attached a copy of the public announcement of the PTO, pursuant to applicable regulations, which was published in Diario Clarín on June 23, 24 and 25 and in BYMA's Daily Bulletin on June 21, 2018 (the PTO Announcement).

In said PTO Announcement, CVH informed that, notwithstanding the fact that Fintech Telecom LLC is not obliged under the applicable regulatory framework to promote, formulate or launch a PTO and that it has not taken part in the determination or formulation of any of the terms and conditions of the PTO, pursuant to the shareholders agreement executed between the shareholders of Telecom Argentina, Fintech Telecom LLC has undertaken to pay for and acquire 50% of the shares tendered under the PTO (notwithstanding CVH's right to acquire by itself the first 43,073,760 Class B shares).

The price offered in the PTO Announcement for the Shares not directly or indirectly held by CVH or Fintech Telecom LLC tendered by their holders for its acquisition during the Offer Reception Period was One Hundred Ten Pesos and Eighty-Five Cents (Pesos 110.85) per Share (less any cash dividend per share as may be payable by Telecom Argentina from the date of the PTO Announcement to the date of actual payment of the PTO price and other expenses such as fees for transfer, rights, fees, commissions, taxes, rates or contributions) (the PTO Price), which will be paid in pesos in Argentina.

On July 5, 2018, the Board of Directors of Telecom Argentina, in compliance with the provisions of article 3 c), Chapter II, Title III of the Rules of the CNV, issued a favorable opinion on the adequacy of the Offer Price of Ps. 110.85 per Class B Share, under the requirements of Argentine law, and recommended that holders of Class B Shares make their decision to accept or reject the PTO depending on whether the trading price of the Class B Shares, in the volume that each investor intends to sell at that time, is below or above the PTO Price, respectively.

On September 21, 2018, the Company received a notice from CVH informing the issuance of a resolution on September 20, 2018, in the case of Cablevisión Holding S.A. against/National Securities Commission's/Precautionary Measures Expte. 7998/2018 in process in the Federal Civil and Commercial Court No. 3, pursuant to which, as an interim precautionary measure, the CNV must refrain from issuing and ruling on the authorization of the PTO promoted and formulated by CVH on the June 21, 2018, until the precautionary measure requested is resolved once the provisions of art. 4 of the Law No. 26,854 are fulfilled.

On November 28, 2018, CVH notified the Company of the decision issued on November 27, 2018 in the case Cablevisión Holding S.A. v. Comisión Nacional de Valores's/Precautionary Measures File 7,998/2018, pending before Federal Civil and Commercial Court No. 3, whereby the Court deemed accepted (as a requirement of admissibility) the bond required under the decision rendered on November 1, 2018, which had granted the request filed by CVH. It ordered, as a precautionary measure (injunction), CNV to refrain from issuing any decision on the authorization of the PTO submitted and formulated by CVH on June 21, 2018, for a period of six months. The CNV has appealed this decision, which is still pending.

As of the date of this Annual Report, the terms of the PTO have not been approved yet by the CNV.

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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 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. 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 Grupo Clarín for the year ended December 31, 2018 resulted in income for telecommunication services rendered by us of approximately P\$124 million and expenses for services received of approximately P\$2,913 million.

Transactions with other related parties resulted in income of P\$48 million as of December 31, 2018. Additionally, Transactions with other related parties resulted in expenses of P\$24 million as of December 31, 2018.

As of December 31, 2018, 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 Telecom Argentina's Consolidated 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

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, 2018, Telecom has established provisions, excluding asset retirement obligations, in an aggregate amount of P\$3,716 million to cover potential losses related to these claims and proceedings in its Consolidated Financial Statements included under liabilities. In addition, as of December 31, 2018, the Company had P\$155 million deposited in its bank accounts and restricted for some judicial proceedings.

See Note 18 to our Consolidated Financial Statements for additional information.

Labor Claims

- *Profit-Sharing Bonds*

Various legal actions are brought, mainly by former employees of the Company against the Argentine government and Telecom Argentina, requesting that Decree No. 395/92 which expressly exempted Telefónica and the Company from issuing the profit sharing bonds provided in Law No. 23,696 be struck down as unconstitutional. The plaintiffs also claim the compensation for damages they suffered because such bonds 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.

Since the Argentine Supreme Court of Justice's judgment on this matter, the Divisions of the Courts of Appeal ruled that Decree No. 395/92 was unconstitutional. As a result, in the opinion of the legal counsel of the Company, there is an increased probability that the Company has to face certain contingencies, notwithstanding the right of reimbursement that attends Telecom Argentina against the National State.

Said Court decision found the abovementioned Decree unconstitutional and ordered that the proceedings be remanded back to the court of origin so that such court could 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, statute of limitations criteria, distribution method between the program beneficiaries, etc.). It should be mentioned that there is no uniformity of opinion in the Courts in relation to each of those concepts.

Later, in *Ramollino Silvana c/Telecom Argentina S.A.*, the Argentine Supreme Court of Justice, on June 9, 2015, ruled that the profit sharing bonds do not correspond to employees who joined Telecom Argentina after November 8, 1990 and that were not members of the PPP.

This judicial precedent is consistent with the criteria followed by the Company for estimating provisions for these demands, based on the advice of its legal counsel, which considered remote the chances of paying compensation to employees not included in the PPP.

Regarding profit sharing bonds two cases initiated against Telefónica set precedents as described below:

1. Legal action's statute of limitations criteria: Argentine Supreme Court of Justice ruling Dominguez c/ Telefónica de Argentina S.A.

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

The Argentine Supreme Court of Justice 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 of Justice, were not considered by the lower court and are relevant to the resolution of the case.

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After the Argentine Supreme Court of Justice's ruling and until the date of issuance of this Annual Report, two chambers of the Civil and Commercial Federal Proceedings Court have issued opinions interpreting the doctrine developed by the Argentine Supreme Court of Justice in its ruling, acknowledging that the statute of limitations must be applied periodically as of the time of each balance sheet- but limited to five years; and Chamber III ruled, by a majority of votes, that the statute of limitations must not be applied periodically, but that instead, was exceeded ten years after the issuance of Decree No. 395/92.

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

On February 27, 2014, the Civil and Commercial Appeals Court issued its decision in plenary session in the case Parota, César c/ Estado Nacional, as a result of a complaint filed against Telefónica, ruling: *that the amount of profit sharing bonds the corresponding to former employees of Telefónica de Argentina S.A. should be calculated based on the taxable income of Telefónica de Argentina S.A. on which the income tax liability is to be assessed.*

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

As of December 31, 2018, the Company's Management, with the advice of its legal counsel, has recorded the provisions for contingencies that it estimates are sufficient to cover the risks associated with these legal actions, having considered the available legal background as of the date of issuance of this Annual Report.

- *Labor claims brought by employees of suppliers, contractors and commercial agents*

Certain contractors and subcontractors' employees have continued initiating lawsuits against contractors and Telecom Argentina claiming direct or indirect liability based on a broad interpretation of the rules of labor law. The plaintiffs claim for the application of the telecommunications collective labor agreement instead of the telecommunication section of the construction collective labor agreement, which result in wage differences.

Similar legal actions have been brought by employees of commercial suppliers and agents, who have also requested the application of the telecommunications collective labor agreement instead of collective labor agreement applicable to them.

As of the date of this Annual Report, Company'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.

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In certain circumstances and in accordance to certain jurisprudence and regulations, the Company may be obliged to assume labor liabilities in connection with claims initiated by suppliers' employees against the supplier and/or the Company. Although the Company seeks the recovery from suppliers of any amount it had to pay in its behalf, we cannot assure that the Company may succeed in recovering these amounts from the relevant supplier.

- *Telecommunication unions claim*

Some telecommunication unions have initiated claims against Telecom Argentina seeking compensation for the alleged non-compliance of certain provisions of the respective collective bargaining agreements that could allow them to negotiate the inclusion of some suppliers' employees in their collective bargaining agreements. The claims are for unspecified amounts. The Company believes there are strong defenses by which the claims would not be sustained.

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- *Former sales representative claims of Personal and Nextel*

Former sales representatives of Personal and Nextel have brought legal actions for alleged improper termination of their contracts and have submitted claims for payment of different items such as commission differences, value of the customers' portfolio and lost profit, among other matters. The Company's Management 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 lower amounts than those claimed. As of the date of issuance of this Annual Report, some legal actions are in the discovery phase and with expert opinions in progress.

The Company's Management, based on the advice of its legal counsel, has recorded provisions that it estimates are sufficient to cover the risks associated with these claims, which are considered that would not have a negative impact on the Company's results and financial position.

- *Federación Argentina de las Telecomunicaciones and others against Telecom Argentina S.A. in relation to worker shareholding participation*

Additionally, on June 3, 2013 Telecom Argentina was notified of a lawsuit filed by four unions claiming the issuance of a profit sharing bonds (hereinafter the bonds) for future periods and for periods for which the statute of limitations is not expired. To enforce this claim, the plaintiffs require that Decree No. 395/92 should be declared unconstitutional.

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 bond represents an obligation with potential future economic impact for Telecom Argentina.

In June 2013, the Company filed its answer to the claim, arguing that the labor courts lack of jurisdiction. On October 30, 2013, the judge rejected the lack of jurisdiction plea, established a ten year period as statute of limitation and deferred ruling on the defenses of res judicata, lis pendens and on the third party citation required 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 differed the defense of statute of limitations filed by the Company to the moment of the final ruling, among other matters. It also ordered the plaintiff to establish that they have permission to bring the case on behalf Telecom Argentina'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.

On December 20, 2017, the Court of First Instance on Labor Matters No. 19 dismissed the claim on the grounds that the claimant lacks of active legitimization because it is an individual claim, not a collective one. The claimant filed an appeal, which is pending before Chamber 7 of the Court of Appeals.

The Company, based on the advice of its legal counsel, believes that there are strong arguments to defend its rights in this claim based, among other things, in the expiration of the statute of limitations of the claim for the unconstitutionality of Decree No. 395/92, the lack of active legal standing for collective claim for bonds issuance -due to the existence of individual claims-, among other reasons regarding lack of active legal standing.

Tax Matters

- *Tax matters relating to Telecom Argentina*

In December 2008, the National Congress passed 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 a complete exemption from penal responsibilities in tax matters and from fines, and a partial exemption from interest arising out of tax or social security liabilities prior to December 31, 2007.

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As discussed in previous Annual Reports, Telecom Argentina was party to various legal proceedings arising from claims by AFIP with regard 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 Law No. 26,476. The settlement for the abovementioned tax claims was complete except for item (b), which was partially settled.

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 item (c) above, Telecom Argentina has requested the respective 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 the regularization regime. In October 2014, the court declared the extinguishment of the penal proceedings despite not having cancelled the installments of the payment plan. The prosecutor appealed such resolution. In September 2015, the appeals court ratified the trial court's ruling, resulting in the termination of the penal proceeding.

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%. Telecom Argentina 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, 2018, such liabilities amounted to P\$2 million and P\$4 million, respectively.

- *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 these risks.

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On December 26, 2017 the Supreme Court has ruled in a company case against Corrientes province (Telecom Argentina S.A. c/Corrientes provincia de s/acción declarativa) that in the case of international calls the entire price collected from a local client is taxed in turnover tax. The Company s management has recorded provisions that it estimates are adequate to cover the probable claims from the provincial tax authorities.

- *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.

- *Income tax - Action for recourse filed with the AFIP*

Article 10 of Law No. 23,928 and Article 39 of Law No. 24,073 suspended the application of the provisions of Title VI of the Income Tax Law relating to the income tax inflation adjustment since April 1, 1992.

Accordingly, Telecom Argentina and its domestic subsidiaries determined its income tax obligations in accordance with those provisions, without taking into account the income tax inflation adjustment.

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After the economic crisis of 2002, many taxpayers began to question the legality of the provisions suspending the income tax inflation adjustment. Also, the Argentine Supreme Court of Justice issued its opinion in the case *Candy* (07/03/2009) in which it ruled that, for the fiscal year 2002 in particular and considering the serious state of disturbance at that time, the taxpayer could demonstrate that not applying the income tax inflation adjustment resulted in confiscatory income tax rates.

More recently, the Argentine Supreme Court of Justice applied a similar criteria to the 2010, 2011 and 2012 fiscal years in the cases

Distribuidora Gas del Centro, enabling the application of income tax inflation adjustment for periods not affected by a severe economic crisis, such as 2002.

According to the above-mentioned new legal background of which Telecom Argentina had knowledge during 2015, and after making the respective assessments, in fiscal year 2015, 2016, 2017 and 2018 Telecom Argentina filed actions for recourse with the AFIP to claim the full tax overpaid for fiscal year 2009, 2010, 2011, 2012 and 2013 estimated in an amount of P\$722 million plus interests, alleging that the lack of application of the income tax inflation adjustment is confiscatory.

As of the date of this Annual Report, the actions for recourse filed are pending of resolution by the AFIP. However, Telecom Argentina's management, with the assessment of its tax advisor, considers that the arguments presented in this recourse follows the same criteria as the established by the Argentine Supreme Court of Justice jurisprudence mentioned above, among others, which we believe should allow Telecom Argentina to obtain a favorable resolution of the actions for recourse filed.

Consequently, the income tax determined in excess qualifies as a tax credit in compliance with IAS 12 and Telecom Argentina recorded a non-current tax credit of P\$818 million as of December 31, 2018. For the calculation of the tax credit, Telecom Argentina has estimated the amount of the tax determined in excess for all fiscal years not covered by the statute of limitation (2009-2017), weighting the likelihood of certain variables according to the jurisprudential antecedents known until December 31, 2018 Telecom Argentina's management will assess the AFIP's resolutions related to actions of recourse filed as well as the jurisprudence evolution in order to at least annually remeasure the tax credit recorded.

- *Additional rate for the Impuesto a la Renta Comercial, Industrial o de Servicios (Tax on Commercial, Industrial or Services Revenues or IRACIS)*

On April 5, 2017, a subsidiary of the Company received a notice from the Under-Secretary of Taxes of the Republic of Paraguay, whereby that subsidiary was informed that it had failed to determine the additional IRACIS rate on the retained earnings of the companies merged in 2014.

The Company's subsidiary considers that it has strong arguments to support its position, but no assurance can be given on the final outcome of this claim.

Regulatory Proceedings

- *Regulator's Penalty Activities*

Telecom Argentina is subject to various penalty procedures, in most cases promoted by the Regulatory Authority, for delays in the reparation and installation of service to fix-line customers.

Although generally a penalty considered on an individual basis does not have a material effect on Telecom Argentina's equity, there is a significant disproportion between the amounts of the penalty imposed by the Regulatory Authority and the revenue that the affected customer has generated to Telecom Argentina.

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

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Telecom Argentina has recorded provisions that it deems sufficient to cover the abovementioned sanctions and charges, estimating that they should not prosper in amounts individually higher than 200 thousand UT (P\$9,380) per each alleged violation against its clients in the normal course of business, in accordance with the legal and regulatory analysis performed as of December 31, 2018. If Telecom Argentina and its legal advisors' arguments do not prevail, the Management of Telecom Argentina estimates that the amount of provisions for regulatory charges and sanctions might be increased in approximately P\$62 million as of December 31, 2018.

- *Radioelectric Spectrum Fees*

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

In March 2017, the ENACOM demanded Personal to rectify its statements, requiring that such plans' statements continue to be prepared based on the previous criteria. Personal's Management believes that it has strong legal arguments to defend its position, which are actually confirmed by Resolution ENACOM No. 840/18. On August 15, 2017, Personal received a note for the differences owed, and on August 31, 2017 presented the corresponding administrative note. However, it cannot be assured that such arguments will be accepted by the ENACOM.

The difference resulting from both sets of liquidation criteria is of approximately P\$717 million since October 2016, plus interests as of December 31, 2018.

On February 27, 2018, Resolutions Nos. 840/18 and No. 1,196/18 were published in the Official Gazette. Through these Resolutions, the ENACOM updated the value of the Radioelectric Spectrum Fee per Unit and, in addition, it established a new regime for mobile communications services, which substantially increases the amounts to be paid in this regard.

As of the date of issuance of this Annual Report Telecom has submitted the rectifying affidavits corresponding to the months of March and April 2018 (due in April and May 2018), and has paid (under protest) the respective amounts. It also started to comply with, as from September 2018, the filing and payment (under protest) of the corresponding affidavits.

- *Claims of some Content Providers to the Company*

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

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

interrupting the contractual relationship on the scheduled dates.

On February 24, 2017, the ENACOM notified Personal the Resolution 2017-1122-APN-ENACOM # MCO (Resolution No. 1,122), which set out that Mobile Operators providers of audiotext and mass calling Value Added Services may receive, in every respect, a percentage that should not exceed 40% of the services invoiced on behalf and to the order those providers. In addition, the Resolution sets forth a 30-day period to file under the ENACOM the interconnection contracts or the addenda to the existing ones, that ensure adjustments to the contracts already in force and with relation to the services rendered by the members of CAVAM.

On March 22, 2017, Personal's Management, with the assistance of its legal advisors and due to its solid grounds, filed an administrative appeal against Resolution No. 1,122 before the former Ministry of Communications. In addition, Personal has brought legal actions to safeguard its rights.

On the other hand, it should be noted that the Company has renewed the commercial agreements with most of the providers of these contents, which are still in force.

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On September 29, 2017, the ENACOM notified Personal with ENACOM Resolution No. 2,408/17, whereby it rejected the reconsideration appeals filed by Movistar and Claro against Resolution No. 1,122, and the suspension of the effects of said resolution requested by Personal, Movistar and Claro. In addition, in the same act, it rejected the reconsideration appeal filed by Personal against ENACOM Note No. 29/17 (in connection with the supplier MOVICLIPS). The appeal filed by Personal against Resolution No. 1,122 with the former Ministry of Communications is still pending resolution.

- *Resolution No. 50/10 and subsequent ones of the Secretariat of Domestic Trade of the Nation (SCI)*

SCI Resolution No. 50/10 approved certain rules for the sale of pay television services. These rules provide that cable television operators must apply a formula to calculate their monthly subscription prices. The price arising from the application of the formula was to be informed to the Office of Business Loyalty (Dirección de Lealtad Comercial) between March 8 and March 22, 2010, having cable television operators to adjust such amount semi-annually and inform the result of such adjustment to such Office.

Notwithstanding the foregoing, it should be noted that as of the date of this Annual Report, according to the decision issued on August 1, 2011 in re LA CAPITAL CABLE S.A. c/ Ministerio de Economía-Secretaría de Comercio Interior de la Nación , the Federal Court of Appeals of the City of Mar del Plata has ordered the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by the Argentine Cable Television Association (ATVC). Upon being notified to the SCI and the Ministry of Economy on September 12, 2011, such decision became fully effective and may not be disregarded by the SCI. The National Government filed an appeal against the decision issued by the Federal Court of Appeals of Mar del Plata to have the case brought before the Supreme Court. Such appeal was dismissed, for which the National Government filed a direct appeal to the Supreme Court, which has also been dismissed.

Between March 2011 and October 2014 were published in the Official Gazette successive resolutions based on Res. 50/2010 that regulated the prices that Cablevisión should charge in those months to users. These resolutions were challenged and are suspended due to the aforementioned injunction.

On September 23, 2014, the Court issued a decision in re Municipalidad de Berazategui c/ Cablevisión ordering the remission of the cases relating to these resolutions to the jurisdiction of the Federal Court of Mar del Plata, that had issued the decision on the collective action in favor of ATVC.

Currently, all the claims relating to this matter are pending before the Federal Court of Mar del Plata. The judge has not yet ordered discovery proceedings in respect of the main claim, La Capital Cable v. National Government s/ Ordinary Proceeding .

Decisions made on the basis of this Annual Report shall consider the potential impact that the above-mentioned resolutions might have on the Company and its subsidiaries, and the Company s Annual Report should be read in light of such uncertainty.

The Company s Management, with the assistance of its legal advisors, considers that it has strong arguments for its defense.

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 that there were problems with our liquid drainage at an underground chamber, and such problem was 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 extent of a hazard and the quantity of waste. Telecom Argentina believes that its activities did not generate the alleged 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.

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In February 2009, Telecom Argentina received a notification from the Argentine national environmental agency 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 agency's notification. As of the date of this Annual Report, there has yet to be a resolution on the matter. Notwithstanding that the said order has not yet been resolved, we cannot guarantee that the order will be canceled or that a similar order will not be initiated.

Moreover, from the merger between the former - Cablevision S.A. and the former Telecom Argentina S.A., Telecom Argentina is conducting a review of its operating processes and is carrying out registrations with the environmental agencies of some of its establishments, taking into account the activity developed within them. Based on the information available to us, we believe that the environmental proceedings and the registration of some of the Telecom Argentina's establishments will not have a significant impact on our financial position, results of operations and cash flows.

Considering the evolution *Secretaría de Medio Ambiente* 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, we believe that the environmental proceedings and the potential registration of Telecom Argentina as a hazardous waste generator will not have a significant impact on our financial position, results of operations and cash flows.

- *Task Solutions against/ Telecom Personal S.A. S/ Ordinario and Task Solutions against/Telecom Argentina S.A. S/ Ordinario*

Task Solutions S.A., a company whose main activity was the contact center, promoted a lawsuit against Telecom Argentina and Telecom Personal, claiming the amount of \$408,721,835 for damages and losses suffered during the contractual relationship between those companies, as well as the non-renewal of the relationship between them. Task Solutions S.A. maintains that its only contractual relationship was with the defendant companies and that the non-renewal of their relationship caused its cessation of payments. On August 27, 2018, the claims were answered, the facts and the compensation claimed were denied and the Company requested the unconstitutionality of the punitive damages claimed. The Company reprovved the amounts already paid in relation to labor items. Likewise, a claim was made for the amounts that eventually will have to be paid for that same concept in the future. Such estimation may be modified in relation to the proof that is produced in the case.

As of December 31, 2018, the Company's Management, with the assistance of its legal advisors, has established provisions that it considers sufficient to cover the risks arising from the judgments indicated, taking into account the arguments and jurisprudential background available at the date of issuance of this Annual Report.

- *Claim for damages between Supercanal Holding S.A. and Cablevisión*

Multicanal has filed several legal actions seeking the nullity of: i) all the ordinary shareholders' meetings held by Supercanal Holding S.A. from the year 2000 until February 2018; and ii) the sureties granted by Supercanal S.A. securing bank loans granted exclusively for the benefit of the controlling group of Supercanal Holding S.A. (Grupo Uno S.A. and its affiliates). In addition, a legal action was filed seeking the dissolution and liquidation of Supercanal Holding S.A. together with a legal action seeking the removal of all the members of the Board of Directors and the

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Supervisory Committee and the dissolution of Supercanal Capital N.V. Supercanal Holding S.A. On March 29, 2000 Supercanal Holding S.A. filed for concurso preventivo (judicial restructuring proceedings) with National Court of First Instance on Commercial Matters No. 20, Clerk's Office No. 40, and the proceedings began on March 27, 2001.

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Upon the revocation of an injunction initially granted in favor of Multicanal S.A. in the case entitled *Multicanal S.A. c/Supercanal Holding S.A. s/sumario*, where it sought to nullify the January 25, 2000 Extraordinary Shareholders Meeting of Supercanal Holding S.A. where it was resolved to reduce the capital stock of Supercanal Holding S.A. to \$12,000 pesos and a subsequent increase thereof to \$83,012,000 pesos, Multicanal S.A. was notified on December 12, 2001 of the filing by Supercanal Holding S.A. of a claim for the damages allegedly caused to it by the issue of the injunction that was subsequently revoked. The alleged damage is that the suspension of the effects of the meeting of January 25, 2000 would have led Supercanal Holding S.A. to suspend payments. Multicanal S.A. answered to such claim by denying all liability on the grounds that Supercanal Holding S.A.'s inability to pay its obligations when due had begun before the date of the suspension of the shareholders meeting according to documentation provided by the plaintiff itself. Furthermore, the suspension of the meeting did not prevent the capitalization of Supercanal Holding S.A. through other alternative means. Based on the factual and legal findings of the case, Cablevisión, as Multicanal's continuing company considers that the claim should be rejected in its entirety, and that the legal costs should be borne by the plaintiff. The case is in the discovery period. In addition, the court of First Instance has dismissed Supercanal Holding S.A.'s request that it be allowed to sue without paying court fees or costs and that decision has been confirmed by the National Court of Appeals.

On June 15, 2018, Telecom Argentina, Grupo Clarín, Supercanal and América TV executed a settlement agreement in order to terminate the claims existing among the parties. Those companies executed a framework agreement whereby, among other issues, América TV expressly waived its claim for the exhibition of its signals América TV and A24 in Cablevisión's (now Telecom Argentina's) programming grid, waiving its right to bring any claims in that regard and recognizing that it has nothing to claim against Telecom Argentina for any other cause as of the date of the agreement. In addition, a share transfer agreement was executed whereby Telecom Argentina -in its capacity as successor of Cablevisión-absorbing company of Multicanal- assigned in favor of Supercanal S.A. the shares- and all the rights inherent to them- it holds and owns in Supercanal and Supercanal Holding S.A. as of the date of execution of the agreement. Pursuant to the settlement agreement, the parties have agreed that all costs of the proceedings shall be borne by Supercanal S.A.

- *Resolution No. 16,765 of the CNV*

On March 16, 2012, CNV issued Resolution No. 16,765 whereby it ordered the conduction of a preliminary investigation (sumario) against Cablevisión, its directors and members of the Supervisory Committee for an alleged failure to comply with its reporting duties. The CNV considers that this deprived investors of the possibility to become fully aware of the decision issued by the Supreme Court of Argentina in re *Recurso de Hecho deducido por el Estado Nacional Ministerio de Economía y Producción en la causa Multicanal S.A. y otro c/ CONADECO Dto. 527-05* (which as of this date has been resolved) and that a series of issues relating to the information required by the CNV regarding the Extraordinary Meeting of Class 1 and 2 Noteholders held on April 23, 2010 would not have been disclosed.

On April 4, 2012, the Company filed a response requesting that its defenses be sustained and that all charges against it be dismissed. The discovery stage has been closed and the legal brief has been submitted.

The Company and its legal advisors believe that the Company has strong arguments in its favor. Nevertheless, the Company cannot assure that the outcome of the preliminary investigation proceeding will be favorable.

- *Resolution No. 17,769 of the CNV*

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On August 28, 2015, Cablevisión was served notice of Resolution No. 17,769 dated August 13, 2015 whereby the CNV the conduction of a preliminary investigation (sumario) against Cablevisión and its directors, members of the Supervisory Committee and the Head of Market Relations for an alleged delay in the submission of the required documentation relating to the registration of the authorities appointed in the General Meeting of Shareholders of Cablevisión held on April 30, 2000 and the update of the particulars of its registered office in the Autopista de Información Financiera.

On January 20, 2016, the preliminary hearing was held pursuant to Section 138 of Law No. 26,831 and Section 8, Subsection b.1. of Section II, Chapter II, Title III of the Regulations (amended text of 2013).

The Company and its advisors believe that same has strong arguments in its favor on this matter, but no assurance can be given that the outcome of the preliminary investigation proceeding will be favorable.

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Consumer Trade Union Proceedings

The Company has been notified of the following complaints filed by consumer trade unions. Although the Company believes there are strong defense arguments for which the claims should not succeed, in the absence of jurisprudence on the matter, The Company's management, with the assistance of its legal counsel, has classified the claims as possible until a judgment is rendered:

i) *Consumidores Financieros Asociación Civil para su Defensa* claim:

In November 2011, Personal was notified of a lawsuit filed by the *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 claim Personal to: 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.

This claim is at a preliminary stage as of the date of issuance of this Annual Report. However, the judge has ordered the accumulation of this claim with two other similar claims against Telefónica Móviles Argentina S.A. and AMX Argentina S.A. So, the three legal actions will continue within the Federal Civil and Commercial Court No. 9.

In connection with this lawsuit, the Secretariat of Commerce canceled the registration of CONSUMIDORES FINANCIEROS ASOCIACIÓN CIVIL PARA SU DEFENSA, therefore, the Company is awaiting the resolution of the intervening court.

The plaintiffs are seeking damages for unspecified amounts. Although the Company believes there are strong defenses according to which the claim should not succeed, in the absence of jurisprudence on the matter, the Company's Management (with the advice of its legal counsel) has classified the claim as possible until a judgment is rendered.

ii) *Lawsuit against Personal on changes in services prices:*

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In June 2012 the consumer trade union 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 May 2011. It demands the reimbursement to certain customers Abono Fijo - of an amount of a period of two months since the alleged inconsistencies of the plaintiff.

The Company's Management considers that Personal had adequately informed its clients the modifications of the terms and conditions in which the service would be provided, and therefore, believes that this lawsuit should not succeed.

The Company answered the complaint and made a proposal that was rejected by the Supreme Court of Justice of the Nation, which ordered that the case continued in commercial courts. The cause was open to trial and the parties are producing the evidence offered.

The Company's Management considers that there are strong arguments for the favorable resolution of this lawsuit, but, in the event it is resolved unfavorably, it would not have a significant impact on Telecom's results and financial position.

iii) Proceedings related to value added services - mobile contents:

On October 1, 2015 Personal was notified of a claim seeking damages for unspecified amounts initiated by consumer trade union Cruzada Cívica para la defensa de los consumidores y usuarios de Servicios públicos . The plaintiff invokes the collective representation of an undetermined number of Personal customers.

The plaintiff claims the way that content and trivia are contracted, in particular the improper billing of messages sent offering those services and their subscription. Additionally, it proposes the application of a punitive damages to Personal.

This claim is substantially similar to other claims made by a consumer association (Proconsumer) where collective representation of customers is also invoked. As of the date of issuance of this Annual Report, this claim is at preliminary stage since the demand notifications of everyone involved have not yet been finalized.

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Personal has answered the claims through the presentation of legal and factual defenses, subpoenaing third parties involved in the provision of VAS. Likewise, with the advice of its legal counsel, Telecom believes to have strong arguments for its defense in these lawsuits. However, given the absence of jurisprudential precedents, the final outcome of these claims cannot be assured.

iv) Claim by Asociación por la Defensa de Usuarios y Consumidores c/Telecom Personal S.A. :

In 2008 the Asociación por la Defensa de Usuarios y Consumidores sued Personal, seeking damages for unspecified amounts, claiming the billing of calls to the automatic answering machine and the collection system called send to end in collective representation of an undetermined number of Personal customers. The claim is currently about to dictate sentence.

In 2015 the Company took knowledge of an adverse court ruling in a similar trial, promoted by the same consumers association against other mobile operator. Currently it is pending judgment.

The Company's Management, with the advice of its legal counsel, believes that it has strong arguments for its defense, but given the new jurisprudential precedent, the outcome of this claim cannot be ensured.

v) Claim by Trade Unions for Union Contributions and Payments

The unions FOEESITRA, SITRATTEL, SILUJANTELE, SOEESIT, FOETRA, SUTTACH and the Union of telephony workers and employees of Tucumán (Sindicato de Obreros y Empleados Telefónicos de Tucumán) filed 7 legal actions against Telecom Argentina claiming the union contributions and payments set forth in the respective Collective Bargaining Agreements (CBA) corresponding to the third party employees rendering services to Telecom Argentina, for the not prescribed term of 5 years, plus the damages caused by the lack of payment of such items. (The items claimed are the Special Fund and the Solidarity Contribution).

The unions mentioned sustain that Telecom Argentina is jointly liable for the payment of the above-mentioned contributions and payments, based on the provisions of sections 29 and 30 of the Labor Contract Law and the nonperformance of the CBA as to its obligation to inform the Union on the hiring of third parties.

All claims were answered and procedural terms are suspended. In all cases, new hearings were appointed in the terms of art. 80 and the parties requested a new suspension of terms as a result of possible extrajudicial negotiations. The suits are for an undetermined amount.

Although the Company's management considers that there are strong arguments for these actions to be decided on its favor, as there is no case law in the matter, no assurance can be given on the final outcome of these claims.

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The Company is evaluating a negotiation with the trade unions to reach a settlement agreement.

vi) Asociación por la Defensa de Usuarios y Consumidores v. Cablevisión on expedited summary proceeding:

On November 29, 2018 the Company was notified of a lawsuit initiated by the Asociación por la Defensa de Usuarios y Consumidores, requesting that the defendant 1) cease to prevent customers to rescind Internet and cable TV services at the time of request; 2) reimburse to each user the amounts collected for the period of 5 years and until Cablevisión fulfills the request mentioned in 1); and 3) pay punitive damages for each of the affected customers.

On December 19, 2018, the Company filed a response. In its plea, it requested the extension of the period of the statutes of limitation (biennial term) and the declaration of the lack of standing to sue of the association. Likewise, the Company argued that the class to be represented had not been established and that it had not contravened the Antitrust Law and gave a detailed description of the termination procedure used by Cablevisión highlighting its compliance with Articles 10 ter and 10 quater of said law. It also challenged the application of the punitive damages claimed by the plaintiff and the Company also produced documentary evidence. It requested that the claim be rejected in its entirety, and that the legal costs be borne by the plaintiff.

The probability of occurrence of the lawsuit has been deemed as possible and the amount has still not been set yet.

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Remote Proceedings

Telecom faces other legal proceedings, fiscal and regulatory considered normal in the development of its activities. The Company Directors and its legal advisors estimate it will not generate an adverse impact on their financial position and the result of its operations, or its liquidity. In accordance with IAS 37 Provisions, not any provision has been constituted and/or disclosed additional information in this Annual Report related to the resolution of these issues.

Contingency Asset

- ***AFA Plus Project Claim***

On July 20, 2012, the Company entered into an agreement with the Argentine Football Association (AFA), for the provision of services to a system called Argentine Football System Administration (AFA Plus Project) related to the secure access to first division football stadiums whereby Telecom Argentina should provide the infrastructure and systems to enable the AFA to manage the aforementioned project. The recovery of investments and expenses incurred by Telecom Argentina and its profit margin would come from charging AFA with a referring price stated in 20% of the popular ticket price per each football fan that attend the stadiums during the term of the agreement, so the recoverability of the Company's assets related to the Project depended on AFA implementing the AFA Plus Project .

From 2012 and in compliance with its contractual obligations, the Company made investments and incurred in expenses amounting to P\$269 million, of which P\$211 million are included in PP&E for the provision and installation of equipment and the execution of civil works for improving the football stadiums, registration centers equipment, inventories and material storage and attend other expenses directly associated with AFA Plus Project.

For several specific reasons of the Project, the football environment and the country context, the AFA Plus system was not implemented by the AFA, not even partially. Accordingly, Telecom Argentina has not been able to begin collecting the agreed price.

Finally, throughout the agreement, Telecom Argentina received no compensation from AFA for the services provided and the work performed. In September 2014, the AFA notified the Company of its decision to terminate the agreement with Telecom Argentina, modifying the AFA Plus Project, and also informed that it will assume the payment of the investments and expenditures incurred by the Company. Accordingly, negotiations between the parties have started.

In February 2015, AFA made a proposal to compensate the investments and expenditures incurred by the Company through advertising exchange exclusively related to the AFA Plus Project (or the one that replaces this Project in the future), in the amount of US\$12.5 million. The proposal considered that if the advertising compensation was not realized in one year, AFA would pay to Telecom the agreed amount. The Company analyzed the quality of the assets offered by the AFA in its offer of advertising exchange, and rejected the offer as insufficient.

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New negotiations were conducted in 2015 to improve the mentioned offer (requiring a combination of cash payments and advertising) but a satisfactory agreement was not reached and negotiations were suspended for AFA internal affairs.

In October 2015, the Company formally demanded that AFA pay the amounts due (P\$179.2 million plus interest from its implementation). The AFA rejected the claim but agreed to resume negotiations for a closing agreement which then was suspended by the AFA electoral process.

In January 2016 both parties resumed conciliatory negotiations, while the Company reserved its right to exercise legal claims on the amounts due.

In June 2016 the Company initiated a compulsory pre-judicial mediation procedure. The first audience, held on July 12, 2016, was attended by both parties. A second audience was held on August 3, 2016 and a third and the last one was held on August 23, 2016, which resulted in no agreement between the parties.

In February 2018, the Company initiated a new mandatory prejudicial mediation procedure which was finished without agreement. On December 19, 2018, a claim was brought against AFA for \$ 353,477,495.

The Company's Management with the assistance of its external advisor believes that they have strong legal arguments for claiming and are evaluating the actions to be followed for recovering the investments and expenses made.

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It is worth mentioning that the impairment recorded by the Company arising from the uncertainties related to the recoverable value of assets recognized by the AFA Plus Project (Works in Progress and Materials amounting to P\$211 million) have been only recorded for the purpose to comply with accounting standards and in no way involves giving up or limiting the rights given to the Company as a genuine creditor for the AFA Plus Project agreement.

Dividend Policy

The declaration, amount and payment of dividends are determined by a majority vote at a shareholders' ordinary meeting of Telecom Argentina's capital stock. Under the GCL, 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.

According to the rules of the CNV (as approved by General Resolution No. 622/13, as amended and supplemented (collectively, the CNV Rules), 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 GCL 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.

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 proposal of the Board of Directors is made by Telecom Argentina's shareholders at the Shareholders' Meeting.

Telecom Argentina's Board of Directors, at its meeting held on March 19, 2019, convened an Ordinary and Extraordinary Shareholders' meeting to be held on April 24, 2019, to consider among other issues the allocation of Telecom Argentina's retained earnings as of December 31, 2018.

The Board of Directors proposes:

	In Pesos
Retained Earnings as of December 31, 2018	26,918,365,656
To Legal Reserve	(265,906,251)
To Cash Dividends	(6,300,000,000)
To Facultative reserve for future cash dividends	(6,300,000,000)(a)
To Facultative reserve to maintain the level of investments in capital assets and the current level of solvency of the Company	(14,052,459,405)
To New Fiscal Year	

(a) An amount that adjusted for inflation in accordance with CNV General Resolution No. 777/2018 results in \$6,300,000,000 in Cash Dividends.

Regarding this proposal, it should be taken into account that since the enactment of General Resolution CNV No. 777/2018 (published in the Official Gazette on December 28, 2018), the restatement method for the financial statements in homogenous currency is applicable for issuer companies, as established by the IAS 29.

Regarding the distribution of earnings, the aforementioned CNV General Resolution No.777/2018, established that ***The distribution of earnings must be treated in the currency of the date of the Shareholders Meeting by means of the price index corresponding to the month prior to their meeting.*** (section 3, item 1, subsection e), Chapter III, Title IV of the CNV RULES (NT 2013), *Expression in constant currency of the earnings distributions*).

Therefore, it should be noted that this proposal of distribution of earnings corresponds to figures in current currency of December 31, 2018, leaving to the resolution of the Shareholders Meeting the determination of the amount that can be distributed.

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In addition, the Board of Directors proposes i) that the cash dividends be made available to shareholders in three (3) equal installments, being payable the first installment within thirty (30) calendar days of their approval by the Shareholders Meeting, and the second and third installments within ninety (90) and one hundred and eighty (180) consecutive days of their approval by the Shareholders Meeting, respectively, or on the previous date determined by the Board of Directors; ii) that powers be delegated into the Board of Directors of the Company so that, depending on the evolution of the business, it may order the withdrawal, totally or partially, in one or more times, of an amount of up to \$6,300,000,000 from the Facultative reserve for future cash dividends and its distribution to shareholders as cash dividends, being these delegated powers able to be exercised until December 31, 2019.

Significant Changes

Except as identified in this Annual Report, no undisclosed significant changes have occurred since the date of the Consolidated Financial Statements. See Item 3 Key Information Risk Factors and Item 5 Operating and Financial Review and Prospects Years ended December 31, 2018, 2017 and 2016 Factors Affecting Results of Operations.

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The number of shares as of December 31, 2018, was as follows:

Class of shares (*)	Outstanding Shares	Treasury shares	Total capital stock
Class A Shares	683,856,600		683,856,600
Class B Shares	627,953,887	15,221,373	643,175,260
Class C Shares	210,866		210,866
Class D Shares	841,666,658		841,666,658
Total	2,153,688,011	15,221,373	2,168,909,384

(*) Ordinary share (nominal value P\$1 each) with 1 vote each

The Class B Shares are currently listed on the BYMA. The ADSs are currently listed on the NYSE under the symbol TEO. Each ADS issued by the Depositary represents rights to five Class B Shares.

The 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 thereunder (the Deposit Agreement) trade on the NYSE. Each ADS represents rights to five Class B Shares.

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 allocate the Voluntary Reserve for Capital Investments, approved the terms and conditions of Telecom Argentina's Treasury Shares Acquisition Process. The acquisition process has to be made in Argentine 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 Telecom Argentina, 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 to P\$40 per share.
- Deadline for the acquisition process: April 30, 2014.

Pursuant to Section 67 of Law No. 26,831, Telecom Argentina must sell its treasury shares within three years of the date of acquisition, unless such period is extended by a decision of the Shareholders' Meeting. The Telecom Argentina's Shareholders Meeting held on April 29, 2016 resolved to extend for three years the period for which the treasury shares are held. Pursuant to Section 221 of the GCL, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings. No restrictions apply to Retained Earnings as a result of the creation of a specific reserve for such purposes named Voluntary Reserve for Capital Investments.

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) P\$1,795 million in current currency of December 31, 2018-. 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.

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Plan of Distribution

Not applicable.

The Argentine Securities Market

Originally, the securities market in Argentina was composed of eleven securities exchanges, of which five (including the BCBA) had affiliated stock markets which were authorized to quote publicly-offered securities. The oldest and largest of these exchanges was the BCBA, founded in 1854. However, this system was affected by the enactment of Law No. 26,831, Decree No 1,203/2013 issued by the National Executive Office and the new regulations issued by the CNV, mainly contained in Resolution No. 622/2013, as amended, which stated that securities can only be listed and exchanged in stock markets authorized to function as such by the CNV. For the year ended December 31, 2018, the ten most actively traded equity issues represented approximately 67% of the total volume of equity traded on the market.

On April 17, 2017, BYMA, a stock market authorized by CNV, who shall succeed the Mercado de Valores de Buenos Aires S.A. or Merval, started the automatic transfer of all the species listed in the Merval to BYMA.

BYMA was created as a result of the spin off (*escisión*) of certain assets of the Merval, including its holdings in Caja de Valores S.A., the local clearing house for traded securities, and a capital contribution by the BCBA of its holdings in Caja de Valores S.A. 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 BCBA and Merval or BYMA. However, in March 1992, the BCBA, the Merval 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 Merval, now BYMA, while all corporate debt securities listed on the BCBA 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 acts under the regulatory framework described as follows.

Capital Markets Law Law No. 26,831

On December 28, 2012, the Capital Markets Law No. 26,831 was published in the Official Gazette. Law No. 26,831 eliminates capital markets 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 PEN 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.

On May 11, 2018, Productive Financing Law No. 27,440 was published in the Official Gazette. This law established several amendments to the Capital Markets Law No. 26,831 regarding the extent of the powers of the CNV; the exercise of preemptive rights on shares offered through public offering in the case of capital increases; private placements; public tender offers; the jurisdiction of the federal commercial courts of appeals to review the resolutions issued or sanctions imposed by the CNV, among other amendments.

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The MERVAL, entity succeeded by the BYMA, is the largest stock market in Argentina. The MERVAL is a corporation, whose approximately 183 shares are held by individuals and entities authorized to trade in the securities listed on the BCBA. Trading on the BYMA is conducted by continuous open auction, from 11:00 a.m. to 5:00 p.m. each business day. The BYMA also operates a continuous electronic market system each business day, on which privately arranged trades are registered and made public.

Although the BCBA 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 BYMA 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 BYMA, which represent a relatively small percentage of trading activity, consist of a limited number of investment funds.

Certain historical information regarding the BCBA is set forth in the table below.

	2018	2017	2016	2015	2014
Market capitalization (P\$ billions) (1)	10,524	6,877	4,512	3,292	3,893
As percent of GDP (2)	72	60	56	56	85
Volume (P\$ million) (1)	4,144,621	2,712,799	1,333,260	749,829	621,831
Average daily trading volume (P\$ million) (1)	17,056	10,983	5,420	3,098	2,580
Number of traded companies (including Cedears)	183	184	189	194	202

(1) End-of-period figures for trading on the BCBA (includes domestic and non-domestic public companies).

(2) According to INDEC revised figures of GDP at current prices for the selected period, published as of March 2019.

Source: Instituto Argentino de Mercado de Capitales

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Selling Shareholders

On March 22, 2017, Telecom Argentina filed a registration on Form F-3 (File No. 333-216890) through the selling shareholder to be identified in a prospectus supplement may offer and sell from time to time our Class B Shares underlying ADSs or ADSs. As of the date of this Annual Report, this registration statement has not been declared effective by the SEC. On August 13, 2018, the Company has filed with the SEC a request for withdrawal of Telecom Argentina's Registration Statement on Form F-3. In the request, Telecom Argentina confirmed that no securities under the Registration Statement have been sold.

Dilution

Not applicable.

Expenses of the Issue

Not applicable.

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ITEM 10. ADDITIONAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

Register

Telecom Argentina's bylaws were registered before the IGJ on July 13, 1990, under number 4,570, book 108, volume A of Corporations. Telecom Argentina's bylaws with all subsequent amendments were registered before the IGJ on November 15th, 2018, under number 22160, book 92 of Corporations.

Object and Purpose

Article I, Section 3 of Telecom Argentina's bylaws was amended by Ordinary and Extraordinary Shareholders Meeting held on June 22, 2015, with the approval of AFTIC. Pursuant to this amendment, Telecom Argentina's object and purpose is to provide, directly or through third parties, or in association with third parties, ICT Services, whether these ICT services are fixed, mobile, wired, wireless, national or international, with or without its own infrastructure, and to provide Audiovisual Communication Services (AC Services).

Pursuant to its object and purpose, Telecom Argentina may supply, lease, sell and market in any manner, all kinds of equipment, infrastructure, goods and services related to or supplementary with ICT Services and AC Services. Telecom Argentina may undertake works and provide all kinds of services, including advisory and safety services, in connection with ICT Services and AC Services.

To fulfill its object and purpose, Telecom Argentina has full legal capacity to acquire rights, undertake obligations and take any action that is not forbidden by law and by its bylaws, including the capacity to borrow funds, publicly or privately, through the issue of debentures and negotiable obligations. Telecom Argentina may constitute companies, acquire equity interests in other companies and enter into any kinds of association agreements.

Any amendment to the corporate object and purpose shall be in compliance with the respective legal regulations in force.

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

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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. These rights may differ from those typically provided to shareholders of U.S. companies under the corporation 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 occasionally 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 filed would hold that a non-controlling 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.

Voting Rights

Pursuant to Telecom Argentina's bylaws, each share entitles the holder thereof to one vote at the shareholders' meetings. All of Telecom Argentina's directors are appointed jointly by shareholders in an Ordinary General Shareholders' Meeting.

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Under Argentine law, shareholders are entitled to cumulative voting rights 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 the company of its decision to exercise its cumulative voting rights not later than three business days prior to the date of the Shareholders Meeting, all shareholders are entitled, but not required, to exercise their cumulative voting rights as well.

Through the exercise of cumulative voting rights, 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 non-cumulative voting. In case of tie between the candidates voted under the same system, 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 before the CNV.

Shareholders Meetings

Shareholders Meetings may be ordinary meetings or extraordinary meetings. Telecom Argentina is required to hold an Annual Ordinary Shareholders Meeting in each fiscal year to consider the matters outlined in Article 234 of the GCL, 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, but are not limited to:

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- consideration of the responsibility of directors and members of the Supervisory Committee; and
- 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 shareholder s meetings, 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 capital stock of Telecom Argentina. 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 Argentine courts.

Notice of the Shareholders Meeting must be published in the Official Gazette of the Republic of Argentina (the Official Gazette) and in a widely circulated newspaper in Argentina, at least twenty days before the shareholder s 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 entitled to attend the meeting, a shareholder may be represented by proxy.

Holders of ADSs are not entitled to attend or vote at a shareholders s meeting but its Deposit Agreement provides for certain procedures to instruct the Depositary to vote deposited Class B Shares in accordance with instructions provided by the holders of the ADSs. For voting instructions to be valid, the depositary must receive them on or before the date indicated in the relevant notice. There is no guarantee that an ADS holder will receive voting materials in time to instruct the depositary to vote.

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The quorum for Ordinary Shareholders Meetings consists of a majority of the capital stock entitled to vote. In Ordinary Shareholders Meetings, 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 there is no quorum at the meeting, a second Ordinary Shareholders Meeting may be called. The meeting in a second call can be held whatever the number of the shareholders at the meeting, and resolutions may be adopted by a majority of the shareholders present.

The quorum for Extraordinary Shareholders Meetings is 60% of the capital stock entitled to vote. If there is no quorum at the extraordinary shareholders meeting, a second extraordinary shareholders meeting may be called. The quorum for extraordinary shareholders meeting in a second call is the 30% of the present capital stock. In both cases, decisions are adopted by a majority of valid votes, except for certain fundamental matters, including:

- mergers and spin-offs, when Telecom Argentina is not the surviving entity;
- anticipated liquidation;
- change of Telecom Argentina's domicile to a domicile outside Argentina;
- total or partial repayment of capital; or
- a substantial change in the corporate object and purpose.

Each of these actions requires a favorable vote of more than 50% of all the capital 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 capital stock must also be ratified by a special meeting of that class of shareholders. The special meeting will be governed by the rules for Ordinary Shareholders Meetings.

In addition, and pursuant to the amendment to the bylaws approved on August 31, 2017, a favorable resolution by a special meeting of the Class A and/or the Class D will be required in order to approved any Supermajority Matter. That special meeting will be required to the extent the Class A or the Class D represent more than 15% of the capital stock, respectively, or 20% of the capital stock if the decision involves the approval of the Business Plan or the Annual Budget.

Dividends

Dividends can be lawfully paid and declared only out of our realized and liquid profit.

For these purposes, the Board of Directors must submit our financial statements for the previous fiscal year, together with a report thereon by the Board of Directors, to the shareholders for their approval at an Ordinary Shareholders Meeting.

Upon the approval of the financial statements, the shareholders 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 the GCL. The Shareholders Meeting 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 GCL requires Argentine companies to allocate 5% of any net profits to a 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 replenished. Shareholders' rights to collect dividends expire 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.

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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 financial statements 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 be determined in the Annual Ordinary Shareholders 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 reduction

Telecom Argentina may increase its capital upon authorization of an Ordinary Shareholders Meeting. All capital increases must be conformed by the CNV, published in the Official Gazette and recorded with the IGJ. Capital reductions may be voluntary or mandatory. Shares issued in connection with any capital increase must be divided among the various classes in 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 accretion rights in accordance with the procedure described under Preemptive Rights below.

A voluntary capital reduction must be approved by an Extraordinary Shareholders meeting 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 GCL, 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 shareholder, 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 a capital increase, 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 preemptive rights of those shareholders that are not exercising their preemptive rights. Pursuant to Telecom Argentina's bylaws, if any Class B or Class C Shares are not preempted by the existing shareholders of each such class, the other classes may preempt such class. However, if any shares of the other Classes of Shares are not

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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.

A notice to the shareholders of their opportunity to preempt the capital increase must be published for three days in the Official Gazette and a widely circulated newspaper in Argentina. The period for the exercise of preemptive rights is 30 days following the last day of publication and may be reduced to 10 days by resolution of an extraordinary shareholders' meeting.

Pursuant to the GCL, preemptive rights may only be restricted or suspended in certain particular and exceptional cases by a resolution of an Extraordinary Shareholders' Meeting 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 his or her vote. See Item 3 Key Information Risk Factors Risks Relating to Argentina Our Shareholders may be subject to liability under Argentine law for certain votes of their securities. See also Powers of the Directors below for a description of conflict of interest regarding Directors.

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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 GCL, 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 BCBA 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 its shareholders will have preemptive rights 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 Telecom Argentina's capital stock. In such cases, the three-year period can be extended with the previous approval by a Shareholders Meeting.

Appraisal Rights

Whenever certain extraordinary resolutions are adopted at an Extraordinary Shareholders meeting, such as a merger of Telecom Argentina into another entity, a change of corporate object and purpose, transformation from one type of corporate form to another, or the voluntary withdrawal from the public offering regime or listing of Telecom Argentina's shares, any shareholder dissenting from the adoption of any resolution may withdraw from Telecom Argentina and receive the book value of his or her shares determined on the basis of Telecom Argentina's annual financial statements (as approved by the Annual Ordinary Shareholders Meeting), provided that the dissenting shareholder exercises its appraisal rights within five days following the Shareholders Meeting at which the resolution was adopted. This right may be exercised within 15 days following the meeting if the dissenting shareholder was absent and provided he or she can prove that he or she was a shareholder on the day of the Shareholders Meeting at which the resolution was adopted. 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 or if the shares that Telecom shareholders would receive as a result of such merger or spin-off would also be admitted to the public offering regime or listed in Argentina.

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. In the case of voluntary withdrawal from the public offering regime or listing of Telecom Argentina's shares, the payment period is reduced to sixty days from the date of the approval of the voluntary withdrawal.

Notwithstanding the foregoing, should Telecom Argentina decide to voluntarily withdraw its shares from the public offering regime or listing in Argentina, pursuant to Article 97 of Law No. 26,831, a tender offer by Telecom Argentina at a fair price (*precio equitativo*) to be determined in accordance with certain parameters must be conducted before such withdrawal.

Liquidation

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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.

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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 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, he or she must notify the Board of Directors and to the Supervisory Committee. The director must refrain from participating in any deliberations or he or she may be held jointly and severally liable for all damages caused to Telecom Argentina as a result of the conflict of interests.

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, it 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 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 Ordinary Shareholders' 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. Directors cannot vote on the resolution concerning their compensation or the compensation of 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 to the 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

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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 Class B Shares. The FIL does not limit the right of non-resident 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 non-residents or non-Argentines to hold or to vote on Telecom Argentina's Class B Shares. Notwithstanding the foregoing, regulations implemented by the CNV require that all shareholders that are companies who are registered to participate at a Shareholders Meeting should provide details of their registration with the Argentine Public Registry of Commerce. To acquire participation in a company in Argentina, non-Argentine companies are required to comply with the share ownership registration requirements with the Argentine Registry of Commerce as provided for under Section 123 of the GCL.

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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 stated in Section 9 of our Bylaws. Section 9 of our Bylaws has been eliminated as authorized by ENACOM as regulatory authority and decided by the Ordinary and Extraordinary Shareholders' Meeting held on May 23, 2017, which was conformed by the CNV and recorded with the IGJ on March 21, 2018.

Under Law No. 26,831, modified by Law N° 27,440, a party which has individually or through *actuación concertada* (concerted action) attained control in a publicly traded corporation must offer a fair price (*precio equitativo*) as defined in Law No. 26,831, as amended, to acquire all shares of such corporation.

Under Decree No. 764/2000, as amended by Decree No. 267/2015, the loss of control of a licensee company such as Telecom Argentina is subject to the approval of ENACOM.

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MATERIAL CONTRACTS

For information regarding the Telecom Shareholders Agreement, see Item 7 Major Shareholders and Related Party Transactions Major Shareholders The Telecom Shareholders Agreement. We are not a party to the Telecom 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 were progressively curbed.

In June 2005, through Decree No. 616/2005, the Argentine government imposed certain restrictions on inflows and outflows of foreign currency to the local foreign exchange market. 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 had to 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, were exempted from this restriction: (i) foreign trade financings (i.e., exports advance payments, pre-financing 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.

In addition, certain inflow of funds were subject to the creation of a nominative, nontransferable and non-compensated 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.

However, beginning in December 17, 2015, the Argentine government implemented a series of measures to progressively deregulate and implement more flexible rules for foreign exchange controls. The following amendments, along with certain other reforms, were introduced by communications including Communications A 5850, A 5861, A 5899, A 6037, A 6058, A 6067, A 6137, A 6174 in each case as amended. Collectively, these new regulations are referred to as the New Regulations.

On January 4, 2017, the Ministry of the Treasury eliminated the mandatory minimum stay period applicable to (i) the inflow of funds to the local foreign exchange market arising from certain foreign indebtedness and (ii) any entry of funds to the foreign exchange market by non-residents. On January 20, 2017, the SCI extended the period for the proceeds from the export of goods to be transferred and settled through the MULC, from five to ten years. In addition, on May 19, 2017, the Central Bank eliminated most of the foreign exchange restrictions in place until then by means of Communication A 6244, effective as of July 1, 2017.

On November 1, 2017, the PEN enacted Decree No. 893/17 which partially repealed Decrees No. 2,581/64, No. 1,555/86 and No. 1,638/01, and eliminated the obligation of Argentine residents to transfer to Argentina and sell in the MULC the proceeds of their exports of goods. On November 10, 2017, the Central Bank issued Communication A 6363, that eliminated all restrictions applicable to Argentine residents related to the transfer and sale of proceeds in the MULC resulting from the export of goods.

Finally, on December 28, 2017, by virtue of Communication A 6401, the Central Bank replaced the reporting regimes set forth by Communications A 3602 and A 4237 with a new, unified regime applicable for information as of December 31, 2017. As of the date hereof, in accordance with current regulations, all individuals and legal persons, assets and other universities may operate freely in the MULC and foreign exchange transactions shall be carried out at the exchange rate freely agreed between the parties. All exchange and/or arbitrage operations must be carried out through financial or exchange entities authorized by the Central Bank, and must comply in all cases with the provisions applicable to each transaction. Transactions that do not fall within the scope of the foreign exchange regulations will be subject to the Foreign Exchange Regime Law.

The following is a description of the main aspects of BCRA's regulations concerning inflows and outflows of funds in Argentina as of the date hereof. Additional information regarding all current foreign exchange restrictions and exchange control regulations and regarding the applicable rules mentioned herein, as well as any amendments and complementary regulations, is available at the Ministry of the Treasury's website: www.economia.gob.ar, or the BCRA's website: www.bcra.gov.ar.

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Inflow of capital

Foreign financial indebtedness

Inflow and settlement through the foreign exchange market

Foreign financial indebtedness incurred by the private non-financial sector, the financial sector and Argentine local governments are no longer subject to the requirement of having the proceeds from such indebtedness transferred and settled through the foreign exchange market (Communication A 6037).

Outflow of capital

Payment of interest, earnings, dividends, services and import of goods

No limitations are imposed to access the foreign exchange market to pay interests, earnings, dividends, services, import of goods and non-financial non-produced assets acquisition, under whichever concept it may be (shipping, insurance, royalties, technical advice, professional fees, etc.) abroad.

Non-residents have access to the foreign exchange market for payment of, among others, services, earnings and current transfers collected in Argentina according to the specific regulations that apply to non-residents to access the foreign exchange market.

Cancellation of services of foreign financial debts

In the case of access to the foreign exchange market for capital services of foreign financial indebtedness, including cancellation of financial standby arrangements granted by Argentine banking entities, applicable regulations require: (i) a sworn affidavit by the debtor confirming the presentation, if applicable, of the Report of Issuances of Securities and Other Foreign Indebtedness of the Private Financial and Non-Financial Sector established by Communication A 3602 (as amended and supplemented).

Transactions by non-residents

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The New Regulations, as amended, sets forth the regulations applicable to access to the foreign exchange market by non-residents.

In this respect, financial entities can grant access to the foreign exchange market to non-residents. For this purpose, financial entities must require the taxing identification number of the non-resident client (or passport number for individuals) or the taxing identification number of the Argentine resident who acts as a representative of the non-resident person, in this case, the representative must in addition inform to the financial entity the complete identification information of the non-resident.

Before accessing the foreign exchange market, the intervening authority must ensure that the requirements established by the regulations are complied with.

Reporting Regimes

Under the unified reporting regime of direct investments and debt created by Communication A 6401 only Argentine residents (both legal entities or natural persons) whose flow or balance of foreign assets or debts during the previous calendar year reaches or exceeds the equivalent of US\$1 million in Argentine Pesos are required to report foreign holding of (i) shares and other capital participations; (ii) debt; (iii) financial derivatives; and (iv) real estate, on an annual basis. Argentine residents whose flow or balance of foreign assets or debts reaches or exceeds the equivalent of US\$50 million in Argentine Pesos, shall comply with the report on a quarterly basis.

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TAXATION

Argentine taxes

The following summary of certain Argentine tax matters is based upon the tax laws of Argentina and regulations thereunder as of the date of this Annual Report and is subject to any subsequent changes 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. No assurance can be given that the courts or tax authorities responsible for the administration of the laws and regulations described in this Annual Report will agree with this interpretation. Holders should carefully read Item 3 Key Information Risk Factors Risks Relating to Telecom Argentina's Shares and ADSs Changes in Argentine tax laws may adversely affect the tax treatment of our Class B Shares underlying ADSs or ADSs for transactions made until December 31, 2018 in this Annual Report and consult their tax advisors regarding the tax treatment of the Class B Shares underlying ADSs and ADSs.

Taxation of Dividends

Pursuant to Law No. 26,893, dividends and other profits paid in cash or in kind except for stock dividends by companies and other entities incorporated in Argentina referred to in the Argentine Income Tax Law (the Income Tax Law), Sections 69 (a)(1), (2), (3), (6) and (7), and Section 69(b), were subject to income tax at a 10% rate except for those beneficiaries that were domestic corporate taxpayers. Law No. 27,260 repealed this withholding tax as of July 23, 2016. Consequently, no withholding tax is to be levied on dividends distributed to either Argentine or non-Argentine resident shareholders since then. This treatment applies only to dividends to be distributed at any time out of retained earnings accumulated until the end of the last fiscal year starting before January 1, 2018.

Likewise, the portion of those dividends exceeding the company's accumulated net taxable income (as determined by application of the Argentine Income Tax Law), if any, is subject to a 35% withholding tax on such excess (the Equalization Tax). For purpose of the Equalization Tax, the amount of accumulated net taxable income to be considered shall be determined by (1) deducting the income tax paid by the company, and (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 Argentine tax authorities and will be entitled to seek reimbursement from the shareholders.

Dividends to be distributed out of earnings accrued in fiscal years starting on or after January 1, 2018, are to be subject to a tax treatment different from the one previously described, based on the recent enactment of a comprehensive tax reform -Law No. 27,430-, published in the Official Gazette on December 29, 2017, and generally effective since January 1, 2018.

Pursuant to Law No. 27,430, dividends and other profits paid in cash or in kind except for stock dividends by companies and other entities incorporated in Argentina referred to in the Argentine Income Tax Law (the Income Tax Law), Sections 69 (a)(1), (2), (3), (6), (7) and (8), and Section 69(b) out of retained earnings accumulated in fiscal years starting on or after January 1, 2018, will be subject to withholding tax at a 7% rate (on profits accrued during fiscal years starting January 1, 2018 to December 31 2019), and at a 13% rate (on profits accrued in fiscal years starting January 1, 2020 and onwards), provided that they are distributed to Argentine resident individuals and foreign shareholders. No dividend withholding tax applies if dividends are distributed to the aforementioned Argentine corporate entities required to assess the dividend

withholding tax. In addition, the Equalization Tax is not applicable to this dividends .

Capital gains

The results derived from the transfer of shares and other equity interests, bonds and other securities of Argentine companies are subject to Argentine capital gains tax, regardless of the type of beneficiary who realizes the gains.

Capital gains obtained by Argentine corporate taxpayers (in general, entities organized or incorporated under Argentine law and local branches of non-Argentine entities) derived from the sale, exchange or other disposition of shares are subject to income tax at the corporate rate on net income. Recently, Law No. 27,430 decreased the corporate income tax rate from 35% to 30% for fiscal years beginning on January 1, 2018 to December 31, 2019, and to 25% for fiscal years beginning on January 1, 2020 and onwards.

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Individual resident s capital gains tax

Law No 27,430 established that as from January 1, 2018, gains realized by Argentine resident individuals from the sale, transfer or disposition of shares, securities representing shares and certificates of deposit of shares are exempt from capital gains tax in the following cases: (i) when the shares are placed through a public offering authorized by the CNV, (ii) when the shares are traded in stock markets authorized by the CNV, under segments that ensure priority of price-time and interference of offers, or (iii) when the sale, exchange or other disposition of shares is made through an initial public offering and/or exchange of shares authorized by the CNV. For periods prior to 2018, it is currently under discussion the extent of the exemption (established by Law 26,893 and its implementing decree 2334/2013) applicable to the sale of shares and other securities through a stock exchange market, so as to determine whether it applies *only* sales of securities made in stock exchanges duly authorized by the CNV or in any stock exchanges.

Pursuant Decree N° 1170/2018 the conversion process by which individual residents change ADRs by excepted shares, will be considered a levied transaction at its value market price.

Nonresident s capital gains tax

Pursuant to Law No. 26,893, capital gains obtained by non-Argentine residents from the sale, exchange or other disposition of shares and other equity interests, bonds and other securities of Argentine companies were subject to capital gains tax until December 30, 2017, even if those transactions were entered into between nonresidents.

Law No 27,430 provides that the capital gains tax applicable to nonresidents for transactions entered into between September 23, 2013 (when Law No. 26,893 became effective) and December 30, 2017, is still due and further regulations stated the mechanism to have it paid. However, no taxes will be claimed to nonresidents with respect to past sales of Argentine shares or other securities traded in CNV s authorized markets (such as ADSs) as long as the cause of the non-payment was the absence of regulations stating the mechanism of tax collection at the time the transaction was closed. General Resolution (AFIP) 4.227, which came into effect on April 26, 2018, stipulates that the income tax should be paid to the AFIP under the following procedures: (i) in case the securities were sold through an Argentine stock exchange market, and the withholding has been made, then the withholder must pay the tax, (ii) in case the securities were sold but not through an Argentine stock exchange market and there is an Argentine buyer involved, then the Argentine buyer should pay the income tax; and (iii) when both the seller and the buyer were foreign beneficiaries and the sale was not performed through an Argentine stock exchange market, the person liable for the tax is the buyer and the payment shall be made through an international bank via wire transfer to the AFIP. The payment of capital gains tax applicable for transactions entered into before December 30, 2017 was due on June 11, 2018.

In turn, Law 27,430 and Decree 279/2018, maintain the 15% capital gains tax (calculated on the actual net gain or a presumed net gain equal to 90% of the sale price) on the disposal of shares or securities by nonresidents. However, nonresidents are exempt from the capital gains tax on gains realized from the sale of (a) Argentine shares in the following cases: (i) when the shares are placed through a public offering authorized by the CNV, (ii) when the shares were traded in stock markets authorized by the CNV, under segments that ensure priority of price-time and interference of offers, or (iii) when the sale, exchange or other disposition of shares is made through an initial public offering and/or exchange of shares authorized by the CNV; and (b) depositary shares or depositary receipts issued abroad, when the underlying securities are shares (i) issued by Argentine companies, and (ii) with authorization of public offering. The exemptions will only apply to the extent the foreign beneficiaries

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reside in, or the funds used for the investment proceed from, jurisdictions considered as cooperating for purposes of the exchange of tax information.

In addition, it is clarified that, from 2018 onward, gains from the sale of ADSs will be treated as from Argentine source.

In case the exemption is not applicable and, to the extent foreign beneficiaries do not reside in, or the funds do not arise from, jurisdictions not considered as cooperative for purposes of fiscal transparency, the gain realized from the disposition of shares would be subject to Argentine income tax at a 15% rate on the net capital gain or at a 13.5% effective rate on the gross price. In case such foreign beneficiaries reside in, or the funds arise from, jurisdictions not considered as cooperative for purposes of fiscal transparency, a 35% tax rate on the net capital gain or at a 31.5% effective rate on the gross price should apply. As per the law, the Executive Power will be required to publish a list of non-cooperating jurisdictions. Meanwhile, to determine if a jurisdiction is cooperating or not, the list published by AFIP according to Decree 589/2013 should be consulted.

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In such scenarios, according to General Resolution (AFIP) 4227, the income tax should be withheld and paid to the AFIP under the following procedures: (i) in case the securities were sold by a foreign beneficiary, through an Argentine stock exchange market, the custodian entity should withhold and pay the tax if it is involved in the payment process; if it is not involved in the payment process but there is an Argentine buyer involved, the Argentine buyer should withhold the income tax (ii) in case the securities were sold by a foreign beneficiary, but not through an Argentine stock exchange market and there is an Argentine buyer involved, the Argentine buyer should withhold the income tax; and (iii) when both the seller and the buyer are foreign beneficiaries and the sale is not performed through an Argentine stock exchange market, the person liable for the tax shall be the legal representative of the seller of the shares or securities being transferred or directly by the seller, in the event that there was no local legal representative. In this case, the payment shall be made through an international bank via wire transfer to the AFIP.

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from the holding and disposing of ADSs or Class B Shares.

Personal assets tax

Argentine companies, such as us, have to assess and pay the personal assets tax corresponding to their shareholders that are Argentine individuals and non-Argentine resident persons. The tax rate in effect through December 31, 2015 was 0.50%. As of December 31, 2016, Law No. 27,260 lowered the rate to 0.25%, which is to be assessed on the proportional net worth value (*valor patrimonial proporcional*), of the shares as per the Argentine entity's last financial statements prepared under Argentine GAAP. Pursuant to the Personal Assets Tax Law, the Argentine company is entitled to seek reimbursement of such paid tax from the applicable Argentine domiciled individuals and/or foreign domiciled shareholders.

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and comply with other requirements may qualify for an exemption from the personal assets tax for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should be filed before March 31, 2017. Telecom Argentina has already filed this request and has been granted the exemption for the referred fiscal years. Notwithstanding, in the future, Telecom Argentina may not be exempt from the payment of the personal assets tax.

As of December 31, 2019, the rate at which Argentine companies, such as us, have to assess and pay the personal assets tax corresponding to their shareholders that are Argentine individuals and non-Argentine resident persons (natural and legal persons) will be 0.25%.

Value added tax

The sale, exchange or other disposition of Telecom Argentina shares and ADSs, and the distribution of dividends in connection therewith are exempted from the value added tax.

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.

Decree No. 534/04 provides that owners of bank accounts subject to the general tax rate of 0.6% may take into account as a tax credit of 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.

Pursuant to Law No 27,432 The National Executive Power may decide that the percentage of the tax that on the date of entry into force of this law is not computable as payment on account of income tax, will be progressively reduced by up to twenty percent (20%) per year as of January 1, 2018, and also may decide that, in 2022, the tax provided for in Law 25,413 and its amendments as a payment on account of income tax will be computed in full.

PART I - ITEM 10 ADDITIONAL INFORMATION

TELECOM ARGENTINA S.A.

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On May 7, 2018, Decree 409/2018 was published. It established that for transactions reached at the general tax rate, it can be take into account as a tax credit 33% of the tax originated in both the accredited amounts and the debited and for the other taxable events achieved by the tax. In the case of operations taxed at a reduced rate, the computation as credit of the tax will be 20%.

These provisions are applicable to advances and balances of income tax corresponding to fiscal periods beginning on or after January 1, 2018, for tax credits originated in taxable events that occurred since that date.

Tax on minimum presumed income

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 Argentine tax laws. The amount of any income tax paid during the fiscal year may be applied against the tax on minimum presumed income that would be payable in such fiscal year. The amount of any tax on minimum presumed income paid in excess of the income tax for such fiscal 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.

According to Law No. 27,260, the tax on minimum presumed income is abolished for the fiscal years beginning from January 1, 2019.

Turnover tax

In addition, gross turnover tax could be applicable to Argentine residents on the transfer of shares and on the collection of dividends by our shareholders to the extent such activity is conducted on a regular basis within an Argentine province or within the City of Buenos Aires. However, under the Tax Code of the City of Buenos Aires, any transactions with shares, as well as the perception of dividends are exempt from gross turnover tax. Holders of the Class A, B, C and D Shares or ADSs are encouraged to consult a tax advisor as to the particular Argentine gross turnover tax consequences derived from holding and disposing of the Class A, B, C and D Shares or ADSs or ADSs.

Stamp taxes

Stamp tax is a provincial tax that is levied based on the formal execution of public or private instruments. Documents subject to stamp tax include, among others, all types of contracts, notarial deeds and promissory notes. Each Argentine province and the City of Buenos Aires have its own stamp tax legislation. Stamp tax rates vary according to the jurisdiction and type of agreement involved. On January 2, 2018, Law 27,429 enforced a Fiscal Consensus signed between the National Executive Power and representatives of the Provinces and the City of Buenos Aires. Among other issues, the provinces assumed the commitment to apply tax rates not higher than those for each activity and period In the stamp tax, for certain acts and contracts, not higher than

0.75% as of January 1, 2019 with a gradual reduction until its complete elimination as of January 1, 2022. Law No. 27,469 postponed these dates for one year.

Other taxes

There are no Argentine federal inheritances or succession taxes applicable to the ownership, transfer or disposition of Class A, B, C and D Shares.

Tax treaties

Argentina has signed tax treaties for the avoidance of double taxation with several countries, although there is currently no tax treaty or convention in effect between Argentina and the United States. On December 23, 2016, Argentina and the United States signed an agreement for the exchange of information relating to taxes, which entered into force on November 13, 2017, so the first fiscal period with respect to which information could be exchanged would be 2018.

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United States federal income taxes

The following discussion is a summary of certain U.S. federal income tax consequences for a U.S. holder (as defined below) of the acquisition, ownership and disposition of our ADSs or Class B Shares underlying ADSs, 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, including alternative minimum tax and Medicare contribution tax on net investment income. This summary applies only to U.S. holders that hold ADSs or Class B Shares underlying ADSs as capital assets for U.S. federal income tax purposes and does not address investors that are members of a class of holders subject to special rules, such as:

- financial institutions;
- dealers in securities or currencies;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- life insurance companies;
- persons that hold ADSs or Class B Shares underlying ADSs that are a hedge or that are hedged against interest rate or currency risks;
- persons that hold ADSs or Class B Shares underlying ADSs 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 underlying ADSs;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;