

TELECOM ARGENTINA SA  
Form 6-K  
April 25, 2018  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 6-K

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16**

**of the Securities Exchange Act of 1934**

**For the month of April 2018**

**Commission File Number: 001-13464**

**Telecom Argentina S.A.**

(Translation of registrant's name into English)

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

**Buenos Aires, Argentina**

(Address of principal executive offices)

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

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Form 20-F

Form 40-F

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

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes

No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): **N/A**

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**Telecom Argentina S.A.**

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**Exhibit**

**1. Financial information consisting of (i) the Consolidated Financial Statements of Cablevisión S.A. as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 and a Management's Discussion and Analysis of results relating to those years and (ii) Telecom Argentina's Unaudited Pro Forma Information illustrating the financial effects attributable to the merger of Telecom Argentina S.A. and Cablevisión S.A..**

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**Telecom Argentina S.A.**

**Cablevisión S.A.**

**You should carefully review the information contained herein before making an investment decision. However, this information is provided for informational purposes only in order to illustrate Cablevisión S.A.'s financial results and operations prior to its merger and integration into Telecom Argentina S.A. ( TEO ) and to illustrate, on a pro forma basis, the financial effects attributable to the Merger on TEO's audited consolidated financial statements as of and for the fiscal year ended December 31, 2017, which are included in TEO's annual report on Form 20-F for the fiscal year ended December 31, 2017 filed with the SEC on April 20, 2018 (the TEO 2017 20-F ).**

**We have not authorized anyone to provide information that is different or additional to the information contained in this 6-K. We do not take responsibility for any other information about Cablevisión that others may give you. If anyone provides you with different or additional information, not included in this 6-K you should not rely on it. You should assume that the information in this 6-K relating to Cablevisión is accurate only as of January 1, 2018 (the Merger Effective Date ), regardless of the time it is delivered. All defined terms not otherwise defined herein will have the meaning assigned to them in the TEO 2017 20-F.**

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**ABOUT THIS 6-K**

References in this 6-K to Cablevisión, are to Cablevisión S.A. and its subsidiaries, unless the context requires otherwise prior to the Merger Effective Date. References in this 6-K to the Company, TEO, we, us and our are to Telecom Argentina S.A after the Merger Effective Date. References to Multicanal are to Multicanal S.A. References to Adesol are to Adesol S.A. All defined terms not otherwise defined herein will have the meaning assigned to them in the TEO 2017 20-F.

In this 6-K, references to Pesos, pesos or Ps. are to Argentine pesos, and references to U.S. Dollars, dollars or U.S.\$ are to U.S. dollars. A billion is a thousand million.

The information provided in this 6-K that relates to Argentina and its economy is based upon publicly available information, and we do not make any representation or warranty with respect to such information. Argentina, and any governmental agency or political subdivision thereof, does not in any way guarantee, and their credit does not otherwise back our obligations in respect of the notes.

Certain amounts shown in this 6-K are subject to rounding. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregate of the other figures in such table.

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**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

The financial information included herein is prepared and presented in accordance with the International Financial Reporting Standards ( IFRS ), as issued by the International Accounting Standards Board ( IASB ).

Cablevisión maintained its financial books and records and published financial statements in Argentine Pesos up to December 31, 2017 (the merger and integration into TEO became effective on January 1, 2018). This 6-K contains Cablevisión's consolidated financial statements as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, which have been prepared in accordance with IFRS (the Cablevisión 2017 Audited Financial Statements ) and have been audited by Price Waterhouse & Co. S.R.L. (a member firm of the PricewaterhouseCoopers network) ( PwC ) independent accountants, as stated in their report included herein.

PwC issued an opinion on the Cablevisión 2017 Audited Financial Statements dated March 7, 2018 that contains an emphasis of matter paragraph describing the following factors that affected Cablevisión's activities and the activities of certain of its subsidiaries as of December 31, 2017: (i) the resolution No. 50 issued by the Argentine Secretariat of Internal Commerce (*Secretaría de Comercio Interior*) ( SCI ) including the formula to calculate the monthly fees to be paid by cable television subscribers, which effects are uncertain as of the date of issuance of said opinion; and (ii) the absorption of Cablevisión by TEO on January 1, 2018 pursuant to the Merger. In accordance with IFRS, the financial information set forth in this 6-K has not been adjusted to reflect inflation. Inflation could therefore affect the comparability of the different periods presented herein.

Certain figures included in this 6-K and in the Cablevisión 2017 Audited Financial Statements have been rounded for ease of presentation. Percentage figures included in this 6-K have in some cases been calculated on the basis of such figures prior to rounding. For this reason, certain percentage amounts in this 6-K may vary from those obtained by performing the same calculations using the figures in the Financial Statements. Certain other amounts that appear in this 6-K may not add up due to rounding.

**Exchange Rates**

Some of the Peso amounts contained in this 6-K have been translated into U.S. Dollars at specified rates for convenience purposes only. Unless otherwise indicated, Cablevisión has translated the Argentine Peso amounts using a rate of P\$18.65 to U.S.\$1.00, the U.S. dollar ask rate published by the *Banco de la Nación Argentina* (Argentine National Bank) on December 31, 2017.

The Federal Reserve Bank of New York does not report a noon buying rate for Pesos. The U.S. Dollar equivalent information presented in this 6-K is provided solely for the convenience of the reader and should not be construed to represent that the Peso amounts in question have been, or could have been or could be converted into, U.S. Dollars at such rates or at any other rate.

**Customer Data**

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The operational and statistical data set forth in this 6-K, including metrics such as average revenue per user, or ARPU, penetration rates and churn rates are determined by management, are not part of the Cablevisión 2017 Audited Financial Statements and have not been audited or otherwise reviewed by an outside auditor, consultant or expert. For more information, see Discussion and Analysis of Financial Condition and Results of Operations.

*Clientes únicos*, or active customer relationships, are defined as customers that receive at least one of Cablevisión's main services—cable services or broadband. As of December 31, 2017, 60% of Cablevisión's total customers received broadband services, 89% received cable services and 49% received both services.

ARPU is defined as average monthly revenue per active customer (including revenue earned from cable and broadband subscription fees, cable premium services, pay-per-view fees, installation fees, fixed telephony, additional outlets and magazine revenues) for the indicated period, divided by the average of the opening and closing active customer relationships, as applicable, for the period.



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Churn refers to the termination of a customer's account. The churn rate is determined by calculating the total number of disconnected customers over a given period as a percentage of the initial number of relevant customers for the same period.

## **Third-Party Information**

The information set forth in this 6-K with respect to the market environment, market developments, growth rates, trends and competition in the markets and segments in which Cablevisión operates are based on information published by the Argentine federal and local governments through the *Instituto Nacional de Estadísticas y Censos* (the National Statistics and Census Institute, or INDEC) and the Ministry of Public Works, the Central Bank (defined below), the *Dirección General de Estadística y Censos de la Ciudad de Buenos Aires* (General Directorate of Statistics and Census of the City of Buenos Aires) and the *Dirección Provincial de Estadística y Censos de la Provincia de San Luis* (Provincial Directorate of Statistics and Census of the Province of San Luis), as well as on independent third-party data, statistical information and reports produced by unaffiliated entities such as Dataxis, International Data Corporation (IDC), SNL Kagan Media-Communications (Kagan) and Pyramid Research Inc. (Pyramid), as well as on our own internal estimates.

Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward looking and speculative. This 6-K also contains estimates made by us based on third-party market data, which in turn is based on published market data or figures from publicly available sources.

We have not verified the figures, market data or other information on which third parties have based their studies nor have such third parties verified the external sources on which such estimates are based. Therefore we do not guarantee, nor do we assume responsibility for, the accuracy of the information from third-party studies presented in this 6-K or for the accuracy of the information on which such third party estimates are based.

This 6-K also contains estimates of market data and information derived therefrom which cannot be gathered from publications by market research institutions or any other independent sources. Such information is based on our internal estimates. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. We believe that these internal estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which we operate as well as our position within this industry. Although we believe that our internal market observations are reliable, such estimates are not reviewed or verified by any external sources. In addition, such estimates reflect various assumptions made by us that may or may not prove accurate, as well as the exercise of a substantial degree of judgment by management as to the scope and presentation of such information. No representations or warranties can be made concerning the accuracy of our estimates of market data and the information received therefrom. These may deviate from market data estimates made by our competitors or future statistics provided by market research institutes or other independent sources. We cannot assure you that our market data estimates or the assumptions are accurate or correctly reflect the state and development of, or our position in, the industry.

## **Pro Forma Summarized Financial Information of TEO**

This 6-K includes, to illustrate the financial effects attributable to the Merger for informational purposes only, unaudited pro forma summarized financial information. Telecom's unaudited pro forma consolidated statement of financial position assumes that the Merger was consummated on

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December 31, 2017, and Telecom's unaudited pro forma consolidated income statements assume that the Merger was consummated on January 1, 2017 (together, the Unaudited Pro Forma Information).

The Unaudited Pro Forma Information has been prepared using certain of Telecom's and Cablevisión's respective historical financial statements as more particularly described in the notes to the consolidated financial statements of Telecom as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, which are included in the TEO 2017 20-F filed with the SEC on April 20, 2018 (the Telecom 2017 Audited Financial Statements) and the Cablevisión 2017 Audited Financial Statements. Further, the Unaudited Pro Forma Information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected therein materialized on the dates indicated. Actual amounts recorded upon the finalization of the purchase price allocation under the Merger may differ from the amounts reflected in the Telecom Unaudited Pro Forma Consolidated Financial Information. The Unaudited Pro Forma Information has been

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developed to retroactively show the effect of a transaction that materialized at a later date (even though this was accomplished by following generally accepted practice using reasonable assumptions); however, there are limitations inherent in the very nature of pro forma data. The data contained in the Unaudited Pro Forma Information represents only a simulation of the potential financial impact of the Merger. We believe that the underlying assumptions for the pro forma adjustments provide a reasonable basis for presenting the significant financial effect directly attributable to the Merger. These pro forma adjustments are tentative and are based on currently available financial information and certain estimates and assumptions. The actual adjustments to Telecom's consolidated financial statements will depend on a number of factors and additional information that is not yet available. Therefore, it is expected that the actual adjustments will differ from the pro forma adjustments, and the differences may be material. For further information on the Merger, see Item 4. Information on the Company The Merger of the TEO 2017 20-F.

The unaudited pro forma consolidated statement of financial position as of December 31, 2017 and the unaudited pro forma consolidated statement of income for the year ended December 31, 2017 are based upon, derived from, and should be read in conjunction with (i) the Telecom 2017 Audited Financial Statements, which are included in the TEO 2017 20-F filed with the SEC on April 20, 2018, and (ii) the Cablevisión 2017 Audited Financial Statements, which are included in this 6-K.

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The following tables set forth Cablevisión's summary consolidated financial information as of December 31, 2017 and 2016 and for the fiscal years ended December 31, 2017, 2016 and 2015. You should read this information in conjunction with the Cablevisión 2017 Audited Financial Statements and their respective related notes, and the information under Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this 6-K.

*Selected Financial and Operating Data*

	2017	For the year ended December 31, 2016 (in millions of Pesos)	2015
<b>Statement of Comprehensive Income Data:</b>			
Revenues	40,952	30,571	20,125
Cost of sales (1)	(19,109)	(14,190)	(9,244)
Gross income	21,843	16,381	10,881
Selling expenses (1)	(5,992)	(4,398)	(2,525)
Administrative expenses (1)	(4,682)	(3,641)	(2,628)
Other income and (expenses), net	29	(11)	2
Results of acquisition of associates		114	
Financial costs	(2,242)	(2,597)	(2,785)
Other financial income and (expenses), net	(370)	222	(28)
Financial results	(2,612)	(2,374)	(2,813)
Equity in earnings from associates	168	131	505
Net income before income tax	8,754	6,202	3,422
Income tax	(2,859)	(2,095)	(909)
Net income for the year	5,895	4,107	2,513

(1) Includes amortization of intangible assets and depreciation of property, plant and equipment of Ps. 3,987 million, Ps. 2,588 million and Ps. 1,566 million in aggregate fiscal years December 31, 2017, 2016 and 2015, respectively.

	As of and for the year ended December 31, 2017	2016 (in millions of Pesos)
<b>Statement of Financial Position:</b>		
Non-current assets	29,088	23,113
Current assets	7,188	5,822
Total assets	36,276	28,935
Non-current liabilities	11,402	10,024
Current liabilities	12,613	7,203
Total liabilities	24,015	17,227
Total shareholders' equity	12,260	11,708

*Selected Operating Data*

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	For the year ended December 31,		
	2017	2016	2015
Active Customer Relationships (2)	3.92	3.91	3.87
Cable Television Subscribers (3)	89%	90%	91%
Broadband Customers (3)	60%	55%	52%
ARPU (excluding Nextel) (1)	797	566	420
Churn Ratio:			
Cable TV (3)	14.6%	13.8%	12.6%
Broadband (3)	17.1%	16.2%	15.6%

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(1) In Pesos.

(2) Figures in millions.

(3) Subscribers as a percentage of total active customer relationships.

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**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF TEO**

The following unaudited pro forma consolidated financial information is presented to illustrate the Merger. For further information, see Item 4. Information on the Company The Merger of the TEO 2017 20-F. The unaudited pro forma consolidated statement of financial position as of December 31, 2017 and the unaudited pro forma consolidated statement of income for the year ended December 31, 2017 (together, the Unaudited Pro Forma Information ) are based upon, derived from, and should be read in conjunction with (i) the Telecom 2017 Audited Financial Statements, which are included in the TEO 2017 20-F filed with the SEC on April 20, 2018, and (ii) the Cablevisión 2017 Audited Financial Statements, which are included in this 6-K.

The accompanying Unaudited Pro Forma Information give effect to adjustments that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the unaudited pro forma consolidated statement of income, expected to have a continuing impact on the consolidated results. The unaudited pro forma consolidated statement of financial position assumes that the Merger was consummated on December 31, 2017 and the unaudited pro forma consolidated income statements assume that the Merger was consummated on January 1, 2017.

The Merger will be accounted for by the Company as a business combination using the acquisition method of accounting under the provisions of IFRS 3 Business Combinations ( IFRS 3 ), with Cablevisión selected as the accounting acquirer under this guidance.

Under IFRS 3, all assets acquired and liabilities assumed are generally recorded at their acquisition date fair value. For the purposes of preparing the Unaudited Pro Forma Information, the fair value of Telecom's identifiable tangible and intangible assets acquired and liabilities assumed are based on a preliminary estimate of fair value. Certain preliminary estimates were used which will be updated upon finalization of the purchase accounting in our historical financial statements for periods reflecting the acquisition. Management believes the estimated fair values used for the assets to be acquired and liabilities to be assumed are based on reasonable assumptions. Preliminary fair value estimates may change as additional information becomes available and such changes could be material.

The Unaudited Pro Forma Information has been prepared by management in accordance with the bases outlined herein and is not necessarily indicative of the consolidated financial position or results of operations that would have been realized had the Merger occurred as of the dates indicated, nor is it meant to be indicative of any anticipated consolidated financial position or future results of operations that we will experience after the Merger. In addition, the accompanying unaudited pro forma consolidated statements of income do not include any expected cost savings or operating synergies, which may be realized subsequent to the Merger or the impact of any non-recurring activity and one-time transaction-related or integration-related items.

We prepared the following Unaudited Pro Forma Information by applying certain pro forma adjustments to Telecom and Cablevisión's historical consolidated financial statements. We have based the pro forma adjustments on available information and certain assumptions that we believe are reasonable under the circumstances. The actual adjustments to the Telecom consolidated financial statements for future periods will depend upon a number of factors and additional information that is not yet available. Accordingly, the actual adjustments that will appear in the Telecom consolidated financial statements for future periods will differ from these pro forma adjustments, and those differences may be material.

**Unaudited Pro Forma Consolidated Statement of Financial Position as of December 31, 2017**

(in millions of pesos)

	<b>Column I Telecom Argentina S.A.</b>	<b>Column II Cablevisión S.A.</b>	<b>Column III Reclassifications</b>	<b>Column IV Elimination of balances</b>	<b>Column V Pro Forma Adjustments</b>	<b>Ref.</b>	<b>Pro Forma Consolidated</b>
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	2,831	4,414					<b>7,245</b>
Investments	3,426	110					<b>3,536</b>
Trade receivables	8,636	1,753		(60)			<b>10,329</b>
Other receivables	1,491	828					<b>2,319</b>

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Inventories	1,854	83		32		<b>1,969</b>
<b>Total current assets</b>	<b>18,238</b>	<b>7,188</b>		<b>(60)</b>	<b>32</b>	<b>25,398</b>
<b>Non-Current Assets</b>						
Trade receivables	12					<b>12</b>
Other receivables	419	237				<b>656</b>
Income taxes assets	626	44		(624)	2.I.(c) 3)	<b>46</b>
Investments	2,657		250	3		<b>2,910</b>
Investments in associates		250	(250)			
Goodwill		4,109		59,293	2.I.(d)	<b>63,402</b>
Property, plant and equipment	28,538	22,080		34,209	2.I.(c) 1)	<b>84,827</b>
Intangible assets	7,098	2,368		33,090	2.I.(c) 2)	<b>42,556</b>
<b>Total non-current assets</b>	<b>39,350</b>	<b>29,088</b>		<b>125,971</b>		<b>194,409</b>
<b>TOTAL ASSETS</b>	<b>57,588</b>	<b>36,276</b>		<b>(60)</b>	<b>126,003</b>	<b>219,807</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade payable	11,483	5,637	(1,751)	(60)		<b>15,309</b>
Deferred revenues	515		99	(20)	2.I.(c) 4)	<b>594</b>
Financial debt	3,194	937		27		<b>4,158</b>
Salaries and social security payable	2,051		1,751			<b>3,802</b>
Income tax payable	2,748		1,437			<b>4,185</b>
Other taxes payable	1,505	1,858	(1,437)			<b>1,926</b>
Dividends payable			4,080			<b>4,080</b>
Other liabilities	85	4,181	(4,178)			<b>88</b>
Provisions	406					<b>406</b>
<b>Total Current Liabilities</b>	<b>21,987</b>	<b>12,613</b>		<b>(60)</b>	<b>7</b>	<b>34,547</b>
<b>Non-Current Liabilities</b>						
Trade payable	101					<b>101</b>
Deferred revenues	425		134	18	2.I.(c) 4)	<b>577</b>
Financial debt	9,041	9,907				<b>18,948</b>
Salaries and social security payable	259					<b>259</b>
Deferred income tax liabilities	48	266		16,822	2.I.(c) 3)	<b>17,136</b>
Income tax payable	2	3				<b>5</b>
Other liabilities	220	134	(134)			<b>220</b>
Provisions	1,626	1,092				<b>2,718</b>
<b>Total Non-Current Liabilities</b>	<b>11,722</b>	<b>11,402</b>		<b>16,840</b>		<b>39,964</b>
<b>TOTAL LIABILITIES</b>	<b>33,709</b>	<b>24,015</b>		<b>(60)</b>	<b>16,847</b>	<b>74,511</b>
<b>EQUITY</b>						



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Capital nominal - outstanding shares	969	1,200	(15)	2.I.(e)	2,154
Inflation adjustment - outstanding shares	2,646				2,646
Capital nominal - treasury shares	15				15
Inflation adjustment - treasury shares	42				42
Treasury shares acquisition cost	(461)				(461)
Contributed surplus			109,597	2.I.(e)	109,597
Legal reserve	734	240			974
Special reserve for IFRS implementation	351	43			394
Voluntary reserve for capital investments	461				461
Voluntary reserve for future dividends payments	9,730	73			9,803
Other comprehensive income	972	1,575	(972)	2.I.(f)	1,575
Cost of equity interest increase in controlled companies	(3)		3	2.I.(f)	
Voluntary reserve to maintain the level of investments in fixed assets and the current level of solvency		2,748			2,748
Retained earnings	7,630	5,815			13,445
<b>Equity attributable to Parent</b>	<b>23,086</b>	<b>11,693</b>	<b>108,613</b>		<b>143,392</b>
Equity attributable to non-controlling interest	793	567	543		1,903
<b>TOTAL EQUITY</b>	<b>23,879</b>	<b>12,260</b>	<b>109,156</b>		<b>145,295</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>57,588</b>	<b>36,276</b>	<b>(60)</b>		<b>219,807</b>

We provide the unaudited pro forma consolidated income statements for informational purposes only. The unaudited pro forma consolidated income statements do not purport to represent what our results of operations would have been had the Merger actually occurred on the assumed dates or project our results of operations for any future period or future date.

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

	Column I	Column II	Column III	Column IV	Column V		
	Telecom	Cablevisión	Reclassifications	Elimination	Pro Forma	Ref.	Pro Forma
	Argentina S.A.	S.A.		of	Adjustments		Consolidated
				transactions			
Revenues	65,186	40,952		(188)	(20)	2.II.(a)	105,930
Other income	133	29	(29)				133
<b>Total revenues and other income</b>	<b>65,319</b>	<b>40,981</b>	<b>(29)</b>	<b>(188)</b>	<b>(20)</b>		<b>106,063</b>
Employee benefit expenses and severance payments	(12,718)		(7,186)				(19,904)
Interconnection costs and other telecommunication charges	(3,148)		(812)	188			(3,772)
Fees for services, maintenance, materials and supplies	(6,600)		(4,593)		(113)	2.II.(b)	(11,306)
Taxes and fees with the Regulatory Authority	(6,107)		(2,367)		13	2.II.(c)	(8,461)
Commissions	(3,631)		(1,065)				(4,696)
Cost of equipments and handsets	(6,684)		(300)		(32)	2.II.(d)	(7,016)
Programming costs			(5,615)				(5,615)
Advertising	(1,218)		(869)				(2,087)
Cost of Value-Added Services	(874)						(874)
Provisions	(590)		(226)				(816)
Bad debt expenses	(1,113)		(557)				(1,670)
Cost of sales		(19,109)	19,109				
Selling expenses		(5,992)	5,992				
Administrative expenses		(4,682)	4,682				
Other operating expenses	(3,280)		(1,479)				(4,759)
Depreciation and amortization	(6,928)		(3,987)		(5,118)	2.II.(e)	(16,033)
Impairment of property, plant and equipment	(316)		(73)		(266)	2.II.(e)	(655)
<b>Operating income</b>	<b>12,112</b>	<b>11,198</b>	<b>626</b>		<b>(5,536)</b>		<b>18,400</b>
Equity in earnings from associates		168					168
Finance income	3,115		277		(3)		3,389
Finance expenses	(3,601)	(2,612)	(903)		27		(7,089)
<b>Income before income tax expense</b>	<b>11,626</b>	<b>8,754</b>			<b>(5,512)</b>		<b>14,868</b>

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Income tax expense	(3,902)	(2,859)	1,929	2.II.(f)	(4,832)
<b>Net income for the year</b>	<b>7,724</b>	<b>5,895</b>	<b>(3,583)</b>		<b>10,036</b>
<b>Attributable to:</b>					
Controlling Company	7,630	5,815	(3,535)		9,910
Non-controlling interest	94	80	(48)		126
	<b>7,724</b>	<b>5,895</b>	<b>(3,583)</b>		<b>10,036</b>
Weighted average number of ordinary shares outstanding					
	969,159,605	120,000		2.II.(g)	2,153,688,011
Earnings per share (Basic and Diluted)					
	7.87	48,456.27			4.60

**Accounting for the Merger**

The Unaudited Pro Forma Information has been prepared using the acquisition method of accounting under the provisions of IFRS 3 and is based on the historical financial information of Telecom and Cablevisión. Acquisition accounting is dependent upon certain valuations and other studies that have yet to be completed. Accordingly, the purchase price allocation included herein is preliminary and has been presented solely for the purpose of providing pro forma financial information. The actual purchase price allocation used by Telecom in the preparation of its financial statements will be revised as additional information becomes available and as additional analyses are performed. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of judgment in determining the appropriate assumptions and estimates. Differences between preliminary estimates in the Unaudited Pro Forma Information and the final acquisition accounting will materialize and could have a material impact on the accompanying pro forma consolidated financial information and the merged company's future consolidated financial statements.

The Merger will be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3, with Cablevisión selected as the accounting acquirer under this guidance. 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 senior management of the surviving entity.

**Reclassifications / Eliminations of balances and transactions / Pro forma adjustments****I. Unaudited pro forma consolidated statement of financial position as of December 31, 2017**

Column I shows the historical audited consolidated financial data of Telecom derived from the Telecom 2017 Audited Financial Statements. Accordingly, the cumulative effects of the initial application of IFRS 9 and IFRS 15 on retained earnings of Telecom have not been reflected in the Unaudited Pro Forma Information.

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Column II shows the historical audited consolidated financial data of Cablevisión derived from the Cablevisión 2017 Audited Financial Statements. Accordingly, the cumulative effects of initial application of IFRS 9 on retained earnings of Cablevisión have not been reflected in the Unaudited Pro Forma Information.

Column III shows certain reclassifications made to the historical statements of financial position in order to conform to presentation standards to be used after the Merger, consisting of the following: (1) investments in associates have been reclassified from Non-Current Investments in associates to Non-Current Investments ; (2) salaries and other short-term benefits payable have been reclassified from Current Trade payable to Current Salaries and social security payable ; (3) income tax payable has been reclassified from Current Other taxes payable to Current Income tax payable ; (4) dividends payable have been reclassified from Current Other liabilities to Current Dividends payable ; and (5) deferred revenues have been reclassified from Current and Non-Current Other liabilities to Current and Non-Current Deferred revenues , respectively.

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Column IV provides for the elimination of certain reciprocal balances held between Telecom and Cablevisión as of December 31, 2017, mainly arising from the telecommunication interconnection operations.

Column V shows the pro forma adjustments derived from accounting for the Merger under the following assumptions:

(a) The Merger has been accounted for as a reverse acquisition under IFRS 3. Under this accounting method, Telecom (the surviving entity) has been considered the accounting acquiree and Cablevisión (the legally absorbed entity) has been considered the accounting acquirer.

(b) Consideration paid for the business combination amounted to U.S.\$7,100 million (equivalent to Ps. 131,699 million). Consideration paid has been determined on the basis of the quoted market price of Telecom's ADS at December 29, 2017, as this is considered a more reliable measure of the consideration effectively transferred to effect the business combination. The closing market price of Telecom's ADS in the New York Stock Exchange at December 29, 2017 amounted to U.S.\$36.63 per ADS.

(c) Consideration paid has been allocated to identifiable assets and liabilities of Telecom (the accounting acquiree) based on their estimated fair value. Adjustments to book value as a result of the purchase price allocation is as follows:

1) Ps. 34,209 million to Property, plant and equipment based on the market comparative method for real estate properties and vehicles, and the estimated replacement cost, as adjusted to reflect physical deterioration for telecommunications-specific fixed assets. The purchase price has been allocated mainly to land and building (Ps. 11,808 million), transmission equipment (Ps. 4,120 million) and mobile network access and external wiring (Ps. 10,026 million).

2) Ps. 33,090 million to Intangible assets as follows: mobile licenses (Ps. 14,933 million) based on the market comparative method, customer relationships (Ps. 9,195 million) based on the discounted cash flow method, trademarks (Ps. 8,825 million) based on comparative royalties over gross sales and miscellaneous (Ps. 137 million).

3) Ps. 17,446 million to Deferred income tax liabilities (of which Ps. 624 million have been offset by Deferred income tax assets corresponding to the companies to be merged) as a result of applying the enacted tax law as of the end of 2017 using the statutory income tax rate to be in force in Argentina (30% for fiscal years 2018 and 2019 and 25% for fiscal year 2020 and thereafter) to temporary differences arising from the pro forma adjustments.

4) Ps. (20) million and Ps. 18 million to Current and Non-Current Deferred revenues on connection fees and capacity rental, respectively, based on the estimated fair value of the obligation assumed.

(d) Goodwill (totaling Ps. 59,293 million) has been recognized for the excess of consideration paid (Ps. 131,699 million) over the fair value of net identifiable assets attributable to Telecom, net of the related tax effect, amounting to Ps. 72,406 million. Under Argentine Law, goodwill is not deductible for income tax purposes.

(e) The amount recognized as issued equity instruments after the Merger results from the sum of (i) the fair value of the equity instruments issued to effect the business combination after deducting the carrying values immediately before the business combination corresponding to reserves and retained earnings of Telecom to be carried forward after the Merger, as approved by the shareholders of both companies, and (ii) the accounting acquirer's issued equity immediately before the business combination. However, the equity structure shown reflects the accounting acquiree's equity structure, including the equity instruments issued by the accounting acquiree to effect the Merger.

(f) The retained earnings and other equity balances recognized after the Merger result from the sum of their carrying values by Telecom and Cablevisión immediately before the business combination, except for the elimination of other comprehensive income and cost of equity interest increase in controlled companies of Telecom, as approved by the shareholders of both companies.

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II. Unaudited pro forma consolidated income statements for the year ended December 31, 2017

Column I shows the historical audited consolidated financial data of Telecom for the year ended December 31, 2017 derived from Telecom 2017 Audited Financial Statements. Accordingly, the effects of the initial application of IFRS 9 and IFRS 15 on results of Telecom have not been reflected in the Unaudited Pro Forma Information.

Column II shows the historical audited consolidated financial data of Cablevisión for the year ended December 31, 2017 derived from the Cablevisión 2017 Audited Financial Statements. Accordingly, the effects of the initial application of IFRS 9 on results of Cablevisión have not been reflected in the Unaudited Pro Forma Information.

Column III shows certain reclassifications made to the historical income statements in order to conform to presentation standards to be used after the Merger. Mainly, the Cost of sales and selling and administrative expenses have been reclassified to each operating expense by nature and the Taxes on deposits to and withdrawals from bank accounts have been reclassified from Taxes and fees with the Regulatory Authority to Finance expenses .

Column IV provides for the elimination of certain transactions between Telecom and Cablevisión for the year ended December 31, 2017 mainly related to telecommunication interconnection.

Column V shows the pro forma adjustments, which comprise mainly the following:

- (a) Lower revenues from the decrease in recognition of Deferred revenues on connections fees as a consequence of the purchase price allocation.
- (b) Higher consumption of materials resulting from the increase in their value as a consequence of the purchase price allocation.
- (c) Lower tax charges and regulatory fees derived from the elimination of billings between Telecom and Cablevisión following the Merger.
- (d) Higher cost of sales of handsets resulting from the increase in value of Inventories at the beginning of the year as a consequence of the purchase price allocation.

(e) Higher depreciation and impairment charges resulting from the increase in value of Telecom's fixed assets and higher amortization charges resulting from the increase in value of Telecom's Intangible assets, both as a consequence of the purchase price allocation. Useful lives of Telecom's fixed assets are the same as those disclosed in the Telecom 2017 Audited Financial Statements. Useful lives of Intangible assets recorded as a consequence of the purchase price allocation are mainly as follows: indefinite lives for trademarks and some licenses, other licenses between 12 and 15 years, and customer relationships between 5 and 10 years.

(f) The related income tax effects on the adjustments described in (a) to (e) above based on the enacted tax law in effect as of the end of 2017.

(g) Weighted average number of ordinary shares outstanding has been calculated assuming that changes in issued share capital described in 2.I.(e) above materialized on January 1, 2017.

The unaudited pro forma earnings per share data is computed by dividing the unaudited pro forma consolidated net income for the year attributable to the controlling shareholder by the number of Telecom's outstanding shares after giving effect to the Merger, including 1,184,528,406 ordinary shares to be issued by Telecom to effect the Merger.



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**Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis is based on, and should be read in conjunction with, the Cablevisión 2017 Audited Financial Statements and related notes, included elsewhere in this 6-K. Actual results relating to the Cablevisión business could differ materially from those discussed herein. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this 6-K or TEO's annual report on Form 20-F for the year ended December 31, 2017, filed with the SEC on April 20, 2018 ( TEO 2017 20-F ), particularly in Risk Factors.*

**Overview**

Prior to January 1, 2018 (the Merger Effective Date ), Cablevisión was an Argentine *sociedad anónima* (corporation), subject to the laws of Argentina and the regulations of the local authorities. The Cablevisión 2017 Audited Financial Statements were prepared in accordance with IFRS as issued by the IASB. See Selected Financial and Operating Data and other financial information contained elsewhere in this 6-K.

**Factors Affecting Cablevisión's Results of Operations**

*The Argentine Economy*

Substantially all of Cablevisión's assets and operations and its customers were located in Argentina. Accordingly, Cablevisión's 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 Item 5 Operating and Financial Review and Prospects Years ended December 31, 2017, 2016 and 2015 Factors Affecting Results of Operations and Risk Factors Risks Relating to Argentina in the TEO 2017 20-F. Further, for information regarding the reliability of this data see Risk Factors Risks Related to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins in the TEO 2017 20-F.

*Source and Mix of Revenues and Costs*

Cablevisión derives substantially all of its revenue from subscriptions for basic cable and broadband access services. Between 2013 and 2017, Cablevisión's broadband service subscribers increased by 36%, from 1,711,600 to 2,334,900. During that period, the portion of Cablevisión's packages subscriber base increased by 33%, representing 49% of the total subscriber base as of December 31, 2017. Other sources of revenue include premium cable services, installation charges, charges for additional outlets, additional packages, DVR and the selling of Cablevisión's magazine, Miradas. Cablevisión's revenue from subscriptions is primarily a function of the number of subscribers served by its networks

during the relevant period. Cable and broadband subscribers are added through the expansion of Cablevisión's network and marketing of its services to homes passed by its networks.

Cablevisión principally generates its revenues through monthly fees charged to its subscribers that are payable in Pesos. Cablevisión generally seeks to increase its revenues through the growth of its customer base and through the introduction of value-added services and products aimed at different customer needs. Further, Cablevisión expects to increase its revenue through new product launches and the expansion of its broadband customer base. Cablevisión's results of operations are therefore dependent on its customer base and the number of services that each customer uses. Overall revenue and costs are also affected by the mix of services Cablevisión provides, with broadband generally being associated with higher margins relatively to cable television. In 2015, 2016 and 2017, 62.0%, 52.7% and 49.4% of Cablevisión's revenues, respectively, was generated by its cable subscriptions (pay TV services excluding sales for premium content, high definition digital services and video on demand packages) while 23.9%, 25.2% and 31.4%, respectively, was generated by its broadband subscriptions. Cablevisión expects that the broadband subscriptions percentage share of its revenues will continue to increase.

Cablevisión's cost of sales, selling expenses and administrative expenses consist primarily of (i) programming costs; (ii) payroll and social security charges and other personnel expenses; (iii) property, plant and equipment depreciation, maintenance and leases; and (iv) public utilities and tax rates. Between 2013 and 2017, more than 90% of its total operating costs were Peso-denominated. The portion of operating costs that are U.S.

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Dollar-denominated is mainly comprised of programming costs related to special events, data transfer costs and maintenance of property, plant and equipment and network expenses, among others.

Programming costs are among the largest component of these expenses, and mainly consist of the fees that Cablevisión pays to certain programming suppliers. Cablevisión's programming costs are primarily correlated with fee increases charged to its customers and growth in the number of its enhanced cable subscribers.

*Effects of Inflation*

Argentina has faced and continues to face inflationary pressures. For more information, see **Item 5 Operating and Financial Review and Prospects** Years ended December 31, 2017, 2016 and 2015 **Factors Affecting Results of Operations** and **Risk Factors** **Risks Relating to Argentina** in the TEO 2017 20-F.

Significant changes such as those observed in the past few years in the prices of relevant economic variables affecting our business, such as salary and wages costs, interest rates and exchange rates affect our financial position, financial performance and cash flows and, therefore, the information provided in Cablevisión's Financial Audited Consolidated Financial Statements.

*Effects of Fluctuations in Exchange Rates between the Argentine Peso and the U.S. Dollar*

Although almost 100% of our financial obligations are denominated in U.S. Dollars, as of December 31, 2017, Cablevisión uses financial instruments to hedge currency risk for only a limited portion of interest payments for its consolidated U.S. Dollar denominated debt. Any significant devaluation of the Peso, such as the devaluation in early 2014 and in December 2015, 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 **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 in the TEO 2017 20-F.

*Acquisition and Internal Growth*

Cablevisión has focused on increasing its broadband internet penetration by providing and offering bandwidth connectivity to its existing cable television subscribers and to new customers. Cablevisión has also grown its broadband subscriber base by emphasizing its bandwidth capabilities and expanding the products and services that it offers with a focus on launching products and services with faster speed options tailored to its customers evolving

needs. The diversification of Cablevisión's product mix to increase its 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 ARPU (in Pesos) increased by 35% between 2015 and 2016 primarily due to an increase in the penetration of broadband services, an 8% increase in Cablevisión's broadband customers, and due to the effect of inflation. Total ARPU (in Pesos) increased by 40.8% between 2016 and 2017 primarily due to an increase in the penetration of broadband and Pay TV digital services, an 7% increase in aggregate number of Cablevisión's broadband customers, and due to the effect of inflation.

### ***Total Active Customer Relationships and Churn***

The number of Cablevisión's customers is dependent upon the number of new customers it obtains for its services and the number of customers that terminate its services, or churn. Cablevisión has consistently achieved customer growth across its operations. Cablevisión's total customer base grew 4% from approximately 3.76 million customers as of December 31, 2013, to approximately 3.92 million customers as of December 31, 2017.

### **Certain Events Affecting Comparability of Cablevisión's Operating Results**

#### ***Acquisition of Nextel***

Although Cablevisión acquired control of Nextel on January 27, 2016, its financial and operating information reflects the consolidation of Nextel as from January 1, 2016 (Nextel's results from January 1 through January 26, 2016 were not considered material when compared with Nextel's results for the same period). Therefore, financial and operating information for the year ended December 31, 2016 may not be directly

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comparable with financial and operating information for prior periods. Between September 30, 2015 and December 31, 2015, Cablevisión accounted for Nextel under the equity method. IDEN telephony and other services revenues for the year ended December 31, 2017, totalled Ps. 2,791 million, representing 6.8% of Cablevisión's total revenues.

**Key Business Measures**

*Average Revenue per User*

Cablevisión's results of operations are dependent on its customer base and the number of services that each customer uses. Total monthly ARPU of Cablevisión's active customer relationships was Ps. 211 in 2013, Ps. 300 in 2014, Ps. 420 in 2015, Ps. 566 in 2016, and Ps. 797 in 2017. The 40.8% increase in total ARPU during the year ended December 31, 2017, compared to 2016, was due to the increased penetration of broadband and digital Pay TV services, faster speed options offered to Cablevisión's customers and inflation.

*Churn Rate*

Churn refers to the termination of a customer's account. The churn rate is determined by calculating the total number of disconnected customers over a given period as a percentage of the initial number of relevant customers for the same period.

Cablevisión's cable customer churn rate for the year ended December 31, 2017 was 14.6%, compared to 13.8% and 12.6% in 2016 and 2015, respectively.

Cablevisión's broadband customer churn rate for the year ended December 31, 2017 was 17.1%, compared to 16.2% and 15.6% in 2016 and 2015, respectively.

To reduce its churn rate, Cablevisión pursues a vigorous customer service and retention policy. See Business Description Billing and Subscriber Management.

**Critical Accounting Policies**

The Cablevisión 2017 Audited Financial Statements are prepared in conformity with IFRS. IFRS requires management to make estimates that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Cablevisión evaluates its estimates, including those related to tangible and intangible assets, bad debts, inventories, provisions and income taxes, on an ongoing basis. Cablevisión bases its estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Cablevisión management believes that the following accounting policies used in preparation of the Cablevisión 2017 Audited Financial Statements prepared in accordance with IFRS were its critical accounting policies as they require management to make estimates that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. For more information, see note 3 of the Cablevisión 2017 Audited Financial Statements.

*Fair value measurement of certain financial instruments*

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. The Company uses its judgment to select a variety of methods and makes assumptions on the basis of market conditions at closing.

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The methodology used for the measurement of the fair value of certain financial instruments is more fully described in Note 2.19 to the Cablevisión 2017 Audited Financial Statements.

*Allowance for bad debts*

Cablevisión reviews its doubtful accounts on a monthly basis for estimated losses resulting from the inability of its subscribers to make the required payments. The subscriber base in cable television and Internet services is primarily residential in nature.

Cablevisión invoices most of its subscribers in advance. A majority of Argentine cable television and broadband subscribers pay their invoices by automatic credit card or bank account debits. Cablevisión seeks 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, Cablevisión disconnects its services after a two-month period of non-payment and delivery of a corresponding notice of disconnection.

In calculating the allowance for bad debts with respect to debt instruments that are not measured at fair value, Cablevisión takes into account historic collectability records and other factors known at the time of the calculation. If the financial condition of its subscribers were to deteriorate, actual write offs could exceed management's expectations.

Cablevisión believes that the accounting estimate relating to doubtful accounts is a critical accounting estimate because changes in the level of doubtful debts may materially affect net income.

*Provision for lawsuits and contingencies*

Cablevisión is involved in legal, fiscal and administrative disputes in the normal course of business. The outcome of these claims may have a material impact on Cablevisión's balance sheet as well as on its net income. See Legal Proceedings. 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 estimating its obligations, Cablevisión takes into consideration the opinion of its legal advisors. Due to the uncertain nature of these issues, these estimates change as additional information becomes available and could result in material changes to the financial statements in subsequent periods. As of December 31, 2017, Cablevisión had provisions totalling Ps. 855.5 million for pending disputes.

*Impairment losses of certain assets other than receivables (including property, plant and equipment and intangible assets except goodwill)*

Certain assets, including property, plant and equipment and intangible assets are tested for impairment. Cablevisión records impairment losses when it estimates that there is objective evidence thereof or when the cost of such losses will not be recovered through future cash flows. The evaluation of what constitutes impairment is a matter of significant judgment. Impairment of the value of non-financial assets is more fully described in Note 2.15 to the Cablevisión 2017 Audited Financial Statements.

*Impairment of goodwill*

Cablevisión assesses goodwill for impairment on an annual basis. In determining if there is impairment of goodwill, Cablevisión calculates the value in use of the cash generating units to which it has been allocated. The calculation of the value in use requires Cablevisión to determine the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate the present value. During the fiscal year ended December 31, 2017, Cablevisión recorded no impairment losses of goodwill.

*Recognition and measurement of deferred tax items*

Cablevisión only recognizes deferred tax assets for deductible temporary differences to the extent it is likely that each entity, on an individual basis, will have sufficient future taxable income against which to apply the deferred tax assets. Tax loss carry forwards from prior years are only recognized when it is likely that each entity will have sufficient future taxable income against which they can be used. Pursuant to regulations in effect, the use



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of the subsidiaries tax credits is based on a projection analysis of future income. Cablevisión examines the recoverable value of the deferred tax assets based on its business plans and book valuation allowance, if applicable, so that the net position of the deferred tax asset will reflect probable recoverable value.

*Determination of the useful lives of property, plant and equipment and intangible assets*

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment loss. Depreciation of property, plant and equipment is recognized on a straight line basis over its estimated useful life. Intangible assets acquired separately are valued at cost net of all accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful life, the residual value, the depreciation method for property, plant and equipment and the amortization method for intangible assets are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Changes in Cablevisión's current expectations and operating assumptions, including with respect to the regulatory framework, technology and competition, could impact on these judgments and require future adjustments to the carrying value of Cablevisión's recorded assets.

**Results of Operations of Cablevisión.***Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**Revenues*

The details of Cablevisión's revenues are as follows:

	2017	For the year ended December 31 2016	% Change
	(in millions of Pesos)		
<b>Subscription Revenue:</b>			
Cable television services (1)	24,589	18,750	31.1%
IDEN telephony service	2,413	2,804	(13.9)%
Internet	12,865	7,697	67.1%
<b>Cable subscription, Internet revenue and Telephony</b>	<b>39,868</b>	<b>29,252</b>	<b>36.3%</b>
<b>Non-Subscription Revenue:</b>			
Sales of Goods	215	380	(43.4)%
Others (2)	869	939	(7.5)%

<b>Total</b>	<b>40,952</b>	<b>30,571</b>	<b>34.0%</b>
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(1) Includes fees for basic cable service, premium and pay-per-view programming services, digital packages, DVR, HD packages, VOD and connection fees.

(2) Consists primarily of (i) revenues from services - public bidding process and (ii) advertising.

Cablevisión s revenues increased by 34.0% from Ps. 30,571 million in 2016 to Ps. 40,952 million in 2017. This increase is mainly due to a 7.4% increase in the number of broadband Internet subscribers compared to the same period in 2016. The increase in the total ARPU for the year ended December 31, 2017 is attributable to a larger broadband penetration, higher speed options offered to Cablevisión s customers and inflation levels. Cablevisión s IDEN Telephony Services revenues decreased by 13.9%, mainly as a result of a 35.1% reduction in the number of subscribers.

Cable TV service revenues increased by 31.1% from Ps. 18,750 million in 2016 to Ps. 24,589 million in 2017. That increase arises from: (i) a 31.1% increase in the average amount of invoices as a result of the increases based on the pricing policy, (ii) a 15.3% increase in the number of active decoders (HD, digital, Flow and other), net

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of a slight decrease in the total number of subscribers. Cablevisión also recorded revenues of Ps. 12,865 million for internet services in 2017, as compared to Ps. 7,697 million in 2016, due to an increase in the number of broadband services subscribers as a result of the higher speed broadband services offered to its subscribers and the increase in the average amount of the invoice. In 2017, the total ARPU was Ps. 797, representing a 40.8% increase compared to 2016.

Cablevisión's sales of goods revenues decreased by 43.4% from Ps. 380 million in 2016 to Ps. 215 million in 2017. This decrease was driven by lower sales of trunking equipment due to a drop in the subscriber base and by lower deliveries of netbooks and notebooks related to the public bidding of the city government.

Other income decreased by 7.5% from Ps. 939 million in 2016 to Ps. 869 million in 2017.

*Cost of Sales, Selling Expenses and Administrative Expenses*

In 2017, the cost of sales, selling and administrative expenses of Cablevisión was mainly composed by (i) payroll costs and social security and other personnel expenses, (ii) programming costs, (iii) depreciation of property, plant and equipment, (iv) taxes and charges, (v) property, plant and equipment and network maintenance expenses. To a large extent, the increases in expenses reflect the persistent inflation levels that continue to have an impact on the Argentine economy. Cablevisión's cost of sales, selling and administrative expenses increased by 34.0%, from Ps. 22,229 million in 2016 to Ps. 29,784 million in 2017.

The cost of sales increased by 34.7% from Ps. 14,190 million in 2016 to Ps. 19,109 million in 2017. This increase was mainly due to higher programming costs as a result of an increase in Cablevisión's subscription fees and its activities during the twelve-month period ended December 31, 2017 compared to the same period in 2016 and also due to higher payroll costs and social security and other personnel expenses as a result of salary increases.

Selling expenses increased by 36.2% from Ps. 4,398 million in 2016 to Ps. 5,992 million in 2017. This increase was mainly due to (i) the increase in public utilities and tax rates as a result of higher revenues, (ii) higher payroll costs and social security and other personnel expenses, (iii) an increase in fees for services and (iv) higher advertising costs.

Administrative expenses increased by 28.6% from Ps. 3,641 million in 2016 to Ps. 4,682 million in 2017. This was mainly due to higher payroll costs and social security and other personnel expenses, higher fees for services and also higher collection expenses and fees as a result of a higher volume of bank transactions due to an increase in Cablevisión's revenues.

The details of Cablevisión's cost of sales, selling expenses and administrative expenses are as follows:

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	For the year ended December 31,		% Variation
	2017	2016	
	(in millions of pesos)		
Payroll and social security charges and other personnel expenses	6,960	5,205	33.7%
Programming costs	5,615	3,932	42.8%
Public utilities and tax rates	2,993	2,199	36.1%
Maintenance of property, plant and equipment and network expenses	2,761	2,259	22.2%
Depreciation of property, plant and equipment	3,954	2,519	57.0%
Fees for services	1,819	1,378	32.0%
Advertising and promotion	869	621	39.8%
Collection expenses and commissions	1,065	861	23.8%
Data transfer costs	812	698	16.3%
Other (1)	2,637	2,109	25.0%
<b>Sub-total</b>	<b>29,484</b>	<b>21,782</b>	<b>35.4%</b>
Cost of selling goods (2)	300	446	(32.8)%
<b>Total</b>	<b>29,784</b>	<b>22,229</b>	<b>34.0%</b>

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(1) Other includes: severance costs (compensations to the personnel), leases, fees to directors and syndics, bad debts, obsolescence of material, lawsuits and contingencies, amortization of intangible assets, and miscellaneous.

(2) The cost of selling goods includes: (i) inventories at the beginning of the year, (ii) incorporation of acquired company balances, (iii) net purchases of the year, (iv) application of allowance for impairment of inventories, and (v) inventories at the end of the year.

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Payroll, social security and other personnel expenses increased by 33.7% from Ps. 5,205 million in 2016 to Ps. 6,960 million in 2017 (these expenses represented 23.4% of the cost of sales, selling and administrative expenses for 2017 and 2016, respectively). This increase is mainly due to salary increases and to a lesser extent to increases in headcount.

Programming costs increased by 42.8% from Ps. 3,932 million in 2016 to Ps. 5,615 million in 2017. This increase in programming costs was mainly due to the increase in subscription fees across all platforms and the inclusion of the cost of soccer signals to be able to watch all of the AFA (Argentine Football Association) first division soccer tournament matches. Programming costs represented 22.8% of cable TV revenues in the year ended December 31, 2017 and 21.0% during the same period of 2016. Programming agreements were not significantly affected by the devaluation of the Argentine peso, because they are mainly denominated in Argentine pesos and are related to the growth of Cablevisión's subscriber base and the price of its services.

The costs for the maintenance of property, plant and equipment and network expenses increased by 22.2% from Ps. 2,259 million in 2016 to Ps. 2,761 million in 2017. This increase arose from higher costs due to maintenance networks in 2017 as a result of the higher cost of hired labor.

Public utilities, charges and taxes increased by 36.1% from Ps. 2,199 million in 2016 to Ps. 2,993 million in 2017. Public utilities tariffs consist of monthly fixed charges and most of the tax rates are collected based on the revenues from services during the relevant period. This increase associated with this line item was mainly due to an increase in sales during the year. Public utilities and tax rates represented 7.3% and 7.2% of Cablevisión's revenues during 2017 and 2016, respectively.

Depreciation of property, plant and equipment increased by 57.0% from Ps. 2,519 million in 2016 to Ps. 3,954 million in 2017. This increase was mainly due to an increase in Cablevisión's investments in equipment and cable networks.

The fees for services collected by Cablevisión from third parties increased by 32.0% from Ps. 1,378 million in 2016 to Ps. 1,819 million in 2017. This increase was mainly due to higher fees paid to the suppliers of those services during 2017.

Advertising and promotion expenses increased by 39.8% from Ps. 621 million in 2016 to Ps. 869 million in 2017. This increase was mainly due to an increase in the expenses related to the advertising and promotion expenses we provide.

Collection expenses and fees increased by 23.8% from Ps. 861 million in 2016 to Ps. 1,065 million in 2017. This increase was mainly attributable to an increase in revenues during 2017 compared to 2016, net of lower fees as a result of negotiations with collection entities.

Data transmission costs increased by 16.3% from Ps. 698 million in 2016 to Ps. 812 million in 2017. This increase was mainly due to an increase in contracted capacity, which was partially offset by the decrease in Nextel's contracted capacity and the depreciation of the Argentine peso during the period.

The cost of goods sold decreased by 32.8% from Ps. 446 million in 2016 to Ps. 300 million in 2017, mainly due to a decrease in the costs of the Sarmiento project within the framework of the public bid of the Government of the City of Buenos Aires.

*Financial Results*

In 2017, Cablevisión recorded a net financing loss of Ps. 2,612 million, compared to a net financing loss of Ps. 2,374 million in 2016. This 10.0% increase was mainly due to a decrease in exchange gains to Ps. 113 million in

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2017, compared to an exchange gain of Ps. 545 million in 2016, net of variation in other financial costs from Ps. 150 million (loss) in 2016 to Ps. 40 million (gain) in 2017.

*Equity in Earnings From Associates*

Equity in earnings from associates increased by 27.7% from Ps. 131 million in 2016 to Ps. 168 million in 2017.

*Income Tax*

Cablevisión's income tax expense for the year 2016 was Ps. 2,095 million, compared to Ps. 2,859 million for the year 2017, mainly due to higher profit recorded for the reasons stated previously. The effective tax rate in the years 2017 and 2016 was 32.7% and 33.8%, respectively.

*Net Income for the year*

As a result of the above described factors, Cablevisión had a comprehensive income (gain) of Ps. 5,895 million in the year 2017, as compared to the net income of Ps. 4,107 million in the year 2016, which represents an increase of 43.5%.

***Year Ended December 31, 2016 Compared to Year Ended December 31, 2015***

*Revenues*

The details of Cablevisión's revenues are as follows:

	2016	For the year ended December 31 2015	% Change
	(in millions of Pesos)		
<b>Subscription Revenue:</b>			
Cable television services (1)	18,750	14,430	29.9%
IDEN telephony service	2,804	N/A	N/A
Internet	7,697	4,818	59.8%
<b>Cable subscription, Internet revenue and Telephony</b>	<b>29,252</b>	<b>19,248</b>	<b>52.0%</b>

**Non-Subscription Revenue:**

Sales of goods	380	86	339.7%
Others (2)	939	791	18.8%
<b>Total</b>	<b>30,571</b>	<b>20,125</b>	<b>51.9%</b>

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(1) Includes fees for basic cable service, premium and pay-per-view programming services, digital packages, DVR, HD packages, VOD and connection fees.

(2) Consists primarily of (i) revenues from services - public bidding process and (ii) advertising.

Cablevisión's revenues increased by 51.9%, from Ps. 20,125 million in 2015 to Ps. 30,571 million in 2016. This increase was principally attributable to (i) the acquisition of 100% of Nextel and (ii) a 7.8% increase in the number of broadband internet subscribers compared to 2015. The increase in total ARPU in 2016 was due to the offer of new cable television and broadband products and services and due to an increase in subscription fees as a result of inflation.

Cablevisión's cable subscription revenues increased by 29.9%, from Ps. 14,430 million in 2015 to Ps. 18,750 million in 2016. This increase was primarily attributable to an increase in the average invoice amount. Revenues derived from broadband fees totaled Ps. 7,697 million in 2016, as compared to Ps. 4,818 million in 2015, mainly due to an 8% increase in broadband subscribers. In 2016, total ARPU stood at Ps. 566, representing a 35% increase in 2016 compared to 2015. This increase was primarily due to the introduction of new and higher speed broadband and cable products and services, as well as increases in subscription fees as a result of inflation.



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Cablevisión's sales of goods revenues increased by 339.7% from Ps. 86 million in 2015 to Ps. 380 million in 2016, mainly due to the acquisition of Nextel.

Other income increased by 18.8% from Ps. 791 million in 2015 to Ps. 939 million in 2016. This increase was driven by higher sales of netbooks and notebooks related to the public bidding of the city government.

*Cost of Sales, Selling Expenses and Administrative Expenses*

In 2016 Cablevisión's cost of sales, selling expenses and administrative expenses consisted primarily of (i) payroll and social security charges and other personnel expenses, (ii) programming costs, (iii) public utilities and tax rates, (iv) maintenance of property, plant and equipment and network expenses and (v) depreciation of property, plant and equipment. Cablevisión's cost of sales, selling expenses and administrative expenses increased by 54.4%, from Ps. 14,397 million in 2015 to Ps. 22,229 million in 2016. In 2016 and 2015, an estimated 7% of its total costs were denominated in U.S. Dollars.

Cablevisión's cost of sales increased by 53.5% to Ps. 14,190 million in 2016, from Ps. 9,244 million in 2015. This increase was primarily due to the consolidation of Nextel's costs for the year ended December 31, 2016, and higher payroll and social security charges and other personnel expenses as a result of salary increases, and also due to higher programming costs as a result of an increase in Cablevisión's customer base and in its activity in 2016.

Selling expenses increased by 74.2% to Ps. 4,398 million in 2016, from Ps. 2,525 million in 2015. This increase was primarily due to (i) the consolidation of Nextel costs for the year ended December 31, 2016, (ii) higher costs of advertising campaigns and promotions, (iii) the increase in public utilities and tax rates as a result of the higher revenues earned during 2016, and (iv) the increase in payroll, social security and other personnel expenses as a result of salary increases in 2016.

Administrative expenses increased by 38.5% to Ps. 3,641 million in 2016, from Ps. 2,628 million in 2015. This was mainly due to the consolidation of Nextel's costs and the increase in inflation which resulted in higher payroll and social security charges and other personnel expenses and in fees for services, and also due to higher collection expenses and commissions due to a greater volume of banking transactions as a result of Cablevisión's higher revenue and a larger number of transactions through automatic account debiting in 2016.

The details of Cablevisión's cost of sales, selling expenses and administrative expenses are as follows:

	For the year ended December 31, 2016	2015	% Variation
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	(in millions of pesos)		
Payroll and social security charges and other personnel expenses	5,205	4,154	25.3%
Programming costs	3,932	2,889	36.1%
Public utilities and tax rates	2,199	1,327	65.7%
Maintenance of property, plant and equipment and network expenses	2,259	1,008	124.2%
Depreciation of property, plant and equipment	2,519	1,532	64.5%
Fees for services	1,378	838	64.3%
Advertising and promotion	621	434	43.1%
Collection expenses and commissions	861	553	55.6%
Data transfer costs	698	283	146.8%
Other (1)	2,109	1,294	63.0%
<b>Sub-total</b>	<b>21,782</b>	<b>14,311</b>	<b>52.2%</b>
Cost of selling goods (2)	446	86	422.0%
<b>Total</b>	<b>22,229</b>	<b>14,397</b>	<b>54.4%</b>

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(1) Other includes: severance costs (compensations to the personnel), leases, fees to directors and syndics, bad debts, obsolescence of material, lawsuits and contingencies, amortization of intangible assets, and miscellaneous.

(2) The cost of selling goods includes: (i) inventories at the beginning of the year, (ii) incorporation of acquired company balances, (iii) net purchases of the year, (iv) application of allowance for impairment of inventories, and (v) inventories at the end of the year.

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Expenses for payroll and social security charges and other personnel expenses increased by 25.3% to Ps. 5,205 million in 2016, from Ps. 4,154 million in 2015 (such expenses represented 23.4% and 28.9% of cost of sales, selling expenses and administrative expenses for 2016 and 2015, respectively). This increase was principally attributable to the acquisition of Nextel, the effect of salary increases and, to a lesser extent, a 3% increase in Cablevisión's payroll in 2016.

Programming costs increased by 36.1% to Ps. 3,932 million in 2016, from Ps. 2,889 million in 2015. This increase in programming costs was primarily the result of the (i) adjustments in tariff values provided for the programming contracts, (ii) increase in Cablevisión's subscriber base in all its platforms, and (iii) incorporation of new content into the programming grid. Programming costs represented 21.0% of cable television revenues in 2016 and 20.0% in 2015. Programming contracts are not affected by devaluation, are primarily Peso-denominated and are positively related to the growth of Cablevisión's subscriber base and the fees charged to its subscribers.

Maintenance of property, plant and equipment and network expenses increased by 124.2% to Ps. 2,259 million in 2016, from Ps. 1,008 million in 2015. This increase was mainly due to the acquisition of Nextel and higher costs in Cablevisión's routine networks maintenance activity in 2016 as a result of higher cost for hired labor.

Public utilities and tax rates increased by 65.7% to Ps. 2,199 million in 2016, from Ps. 1,327 million in 2015. Public utilities are fixed monthly charges and the majority of the tax rates are levied based on revenues from services during the relevant period. This increase was mainly due to the (i) acquisition of Nextel, and (ii) the increase in sales during the year ended December 31, 2016. Public utilities and tax rates represented 7.2% and 6.6% of Cablevisión's revenues in 2016 and 2015, respectively.

Property, plant and equipment depreciation increased by 64.5% to Ps. 2,519 million in 2016, from Ps. 1,532 million in 2015. This increase was primarily due to (i) the acquisition of Nextel, and (ii) an increase in Cablevisión's investments in cable equipment and networks in 2016.

Fees paid for services received by us from third parties, increased by 64.3% to Ps. 1,378 million in 2016, from Ps. 838 million in 2015. This increase was mainly due to fees incurred for services associated with the acquisition of Nextel and higher fees paid to the providers of such services in 2016 (reflecting the impact of inflation).

Advertising and promotion expenses increased by 43.1% to Ps. 621 million in 2016, from Ps. 434 million in 2015. This increase was driven by increases in fees paid as a result of inflation and an increase in marketing and promotional activities in 2017 as compared to 2016.

Collection expenses and commissions increased by 55.6% to Ps. 861 million in 2016, from Ps. 553 million in 2015. This increase was mainly due to an increase in revenues in 2016 compared to the previous year.

Data transfer costs increased by 146.8% to Ps. 698 million in 2016 from Ps. 283 million in 2015. This increase was mainly due to (i) the acquisition of Nextel, (ii) an increase in the contracted capacity, and (iii) the effect of the Argentine Peso devaluation with respect to the U.S. Dollar.

Costs of selling goods increased by 422% to Ps. 446 million in 2016, from Ps. 86 million in 2015, mainly due to the consolidation of Nextel as of the year ended December 31, 2016.

*Financial Results*

Cablevisión had net financial costs of Ps. 2,374 million in 2016, compared to net financial costs of Ps. 2,813 million in 2015. This 15.6% decrease was mainly due to lower charges for income from operations with securities and bonds that recorded a gain of Ps. 7 million in 2016 compared to a loss of Ps. 868 million in 2015, net of an increase in taxes and expenses from Ps. 226 million in 2015 to Ps. 430 million in 2016, and an increase in interest on financial loans as a result of the increase in bank and financial indebtedness.

Table of Contents*Equity in Earnings (losses) From Associates*

Equity in earnings from associates decreased by 74% to Ps. 131 million in 2016, from Ps. 505 million in 2015. This increase was mainly due to the fact that the 2015 figures included the equity in earnings (losses) of Nextel, while in 2016 these figures were consolidated.

*Income Tax*

Cablevisión recorded charges for income tax of Ps. 2,095 million in 2016, compared to charges of Ps. 909 million in 2015, as a result of higher profits during 2016. Cablevisión's effective tax rate in 2016 and 2015 was 33.8% and 26.6%, respectively.

*Net Income for the Period*

As a result of the factors described above, Cablevisión's net income in 2016 was Ps. 4,107 million, compared to a net income of Ps. 2,513 million in 2015, representing an increase of 63.4%.

*Sources and Uses of Funds*

The following table sets forth Cablevisión's cash flows for the periods indicated.

	2017	Year ended December 31, 2016 (in millions of pesos)	2015
Net cash provided by operating activities	14,133	10,348	6,510
Net cash used in investment activities	(9,718)	(11,420)	(5,590)
Net cash used in financing activities	(2,746)	(1,074)	(566)
Net increase/(decrease) in cash and cash equivalents	1,670	(2,145)	355
Cash and cash equivalents at the beginning of the year (1)	2,629	2,177	1,333
Effect of exchange rate changes on cash and cash equivalents	113	545	489
Cash and cash equivalents incorporated by acquisition of companies	2	2,053	
Cash and cash equivalents at the end of the year (1)	4,414	2,629	2,177

(1) Includes cash and banks and investments with original maturities not exceeding three months from the date of purchase.

*Net cash provided by Cablevisión s operating activities*

During the years ended December 31, 2017 and 2016, the cash flows provided by Cablevisión s operations stood at Ps. 14,133 million and Ps. 10,348 million, respectively. This increase was mainly due to an increase in revenues during the years.

*Net cash used in investment activities*

During the year ended December 31, 2017, net cash flows used in investing activities decreased by 14.9% compared to 2016. This was mainly due to the acquisition of 900 Mhz and 2.5 Ghz bands in 2016 and to the better yield of financial instruments partially offset by an increase in investments in Cablevisión s networks.

During the year ended December 31, 2017, the amounts of cash flows used to make acquisitions was Ps. 20 million and was used by Cablevisión to acquire 100% of the capital stock of Inter Radios S.A., an Argentine *sociedad anónima* that has as its core business the installation and exploitation of broadcasting services.

During 2017 and 2016, Cablevisión used Ps. 11,118 million and Ps. 9,044 million, respectively, to acquire property, plant and equipment. Between 2016 and 2017, Cablevisión focused on expanding and enhancing its data network to meet the higher demand for broadband, increasing its bi-directional coverage and upgrading its network to 1 Ghz, apart from investing in the installation of equipment in the households of new customers.

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*Net cash used in financing activities*

Net cash flows used in financing activities stood at Ps. 2,746 million for the year ended December 31, 2017, mainly due to the Ps. 1,040 million used for the full repayment of principal, interest payments for Ps. 804 million and Ps. 1,600 million used in dividends payments.

The decrease in loans from Ps. 7,857 million to Ps. 719 million is related to Notes issued on June 15, 2016 for U.S.\$500 million, at a 6.5% interest rate per annum, due in 2021, which funds were mainly used to repay debt.

***Capital Expenditures in Property, Plant and Equipment***

The following table sets forth Cablevisión's capital expenditures in property, plant and equipment (net of proceeds from sales) for the periods indicated.

	<b>December 31,</b> <b>(in millions of pesos)</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Capital Expenditures (1)	10,532	8,713	4,173

(1) Net of decrease of property, plant and equipment. For more information, see note 13 to the Cablevisión 2017 Audited Financial Statements.

Beginning in 2015, Cablevisión increased significantly the amount of its net capital expenditures in order to improve the quality and increase the coverage of its cable and data transmission networks. This requires investments in new infrastructure, and modernizing and upgrading Cablevisión's networks and IT backbones.

Net capital expenditures in property, plant and equipment in 2017 resulted in improvements in the quality of Cablevisión's networks and increased capacity and coverage, which attracted additional customers. In 2017, Cablevisión's net investment in property, plant and equipment amounted to Ps. 10,532 million, which represented 25.7% of its total revenues, a 20.9% increase compared to 2016.

In 2016, Cablevisión invested Ps. 8,713 million in net capital expenditures in property, plant and equipment, which represented 28.5% of its total revenues, compared to 20.7% of its total revenues in 2015.

***Indebtedness***

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As of December 31, 2017, Cablevisión had total indebtedness, excluding accrued interest, measurement of financial debt at present value and issuing expenses of loans, of Ps. 10,865 million (equivalent to U.S.\$582.6 million using the exchange rate in force at December 31, 2017). The following table sets forth the maturity composition of Cablevisión's short- and long-term debt as of December 31, 2017:

	Payments Due by December 31 of Each Year (in millions of dollars) (1)				
	Total	2018	2019	2020	2021 and beyond
<b>Short-term</b>	47.9	47.9			
Banks	2.8	2.8			
Vendor Financing	44.9	44.9			
Others	0.2	0.2			
<b>Long-term</b>	534.7		23.7	8.8	502.2
Banks	7.7		3.4	2.3	2.0
Vendor Financing	27.1		20.3	6.5	0.3
6,500% Series A	500.0				500.0
<b>Total debt</b>	582.6	47.9	23.7	8.8	502.2

(1) For the convenience of the reader, amounts stated in U.S. Dollars for the year ended December 31, 2017 have been translated at a rate of P\$ 18.65 per U.S.\$1.00, which was the U.S. dollar ask rate published by the *Banco de la Nación Argentina* (Argentine National Bank) on December 31, 2017.



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100% of Cablevisión's financial obligations are denominated in U.S. Dollars and all accrue interest at a fixed rate. As of December 31, 2017, Cablevisión's consolidated bank and financial indebtedness consisted of:

- U.S.\$500 million in 6.500% series A debt securities, due 2021. The Series A Notes accrue interest at a 6.500% fixed rate per annum, payable semiannually on June 15 and December 15 of each year, beginning on June 15, 2016;
- U.S.\$72.0 million resulting from unsecured loans from suppliers for the financing of capital expenditures, accruing interest at an average rate of 6.49% per annum, payable in 36 months, with an average life of two years;
- U.S.\$5.1 million under an unsecured loan agreement with ICBC Bank to finance capital expenditures, accruing interest at an average rate of 6.0% per annum, maturing in January 2022, and
- U.S.\$5.3 million under an unsecured loan agreement with Banco Itaú to finance capital expenditures, accruing interest at an average rate of 5.0% per annum, maturing in February 2020.

Cablevisión is subject to a number of restrictive covenants under its indebtedness, including the following:

- limitations on its ability to incur new indebtedness above certain approved ratios;
- limitations on liens; and
- limitations on its ability to consolidate, merge with other entities.

In October 2017, Cablevisión solicited proxies from the beneficial owners of its 6.500% Senior Notes due June 15, 2021 (the Senior Notes 2021) to vote in favor of certain proposed amendments to the Senior Notes 2021 and the related indenture. The requisite consent thresholds were successfully met and a substantial amount of the restrictive covenants relating to the Senior Notes 2021 were removed.

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Prior to the Merger Effective Date, Cablevisión was in compliance with all its covenants. As of January 1, 2018, TEO has assumed all of Cablevisión's obligations under its Indebtedness. As of the date of this 6-K, TEO is in compliance with all of its covenants.

### Derivatives and Hedging

Cablevisión was exposed through its operations to the following financial risks:

- (i) Capital risk;
- (ii) Foreign exchange risk;
- (iii) Interest rate risk;
- (iv) Valuation risk;
- (v) Credit risk; and
- (vi) Liquidity risk.

All of Cablevisión's financial obligations are denominated in U.S. Dollars as of December 31, 2017, while the majority of Cablevisión's revenues are payable in Pesos. Cablevisión is exposed to fluctuations in the exchange

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rate and, thus, it uses financial instruments, such as forward foreign exchange purchases, to hedge currency risk for a portion of the interest payments due on its consolidated U.S. Dollar-denominated debt. These types of contracts are limited in volume and tenor in Argentina and generally contemplate short periods not exceeding one (1) year, therefore Cablevisión has only hedged a portion of its existing consolidated debt denominated in U.S. Dollars.

For further discussion of Cablevisión's financial risks and the relevant sensitivity analysis disclosure, see Note 35 to the Cablevisión 2017 Audited Financial Statements.

**Off-balance Sheet Arrangements**

Prior to the Merger Effective Date, as of December 31, 2017, Cablevisión did not have any off-balance sheet arrangements.

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**CABLEVISIÓN**

**Overview**

Prior to the Merger Effective Date, Cablevisión was an Argentine *sociedad anónima* (corporation) organized and operating under the laws of Argentina. Cablevisión was the largest operator of cable television services and data cable transmission systems in Argentina and one of the largest providers of cable services in Latin America in terms of subscribers. Cablevisión was engaged in the installation, operation and development of cable television and data cable transmission services. Cablevisión was 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.

**Cablevisión**

Cablevisión operated in some of the most populated regions of Argentina and Uruguay, including the City of Buenos Aires and the provinces of Buenos Aires, Santa Fe, Entre Ríos, Córdoba, Corrientes, Formosa, Misiones, Salta, Chaco, Neuquén and Río Negro, among others. See Business Description Cablevisión's Networks and Operating Region.

As of December 31, 2017, Cablevisión had 3.92 million *clientes únicos* or active customer relationships, of which 60% received broadband services, 89% received cable services and 49% received both services. As of December 31, 2017, Cablevisión also had 498,000 mobile post-paid customers. Between 2013 and 2017 Cablevisión's customer base grew by 4%, while ARPU (in Pesos) increased by 243% during the same period. Cablevisión operates under the brands Cablevisión, Fibertel, FiberCorp and Nextel.

We believe that, as of the Merger Effective Date, Cablevisión's cable networks were the most technologically advanced in Argentina and Uruguay. As of December 31, 2017, Cablevisión's networks passed through approximately 7.9 million homes in Argentina and Uruguay (homes are considered passed through if Cablevisión can connect them to its distribution system without further extending the transmission lines). Cablevisión delivered a two-way bandwidth capacity of more than 750 MHz to approximately 80% of the homes passed through by its networks, reaching approximately 6.3 million homes. Through these networks, Cablevisión offered not only cable services and broadband services but also 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. As of December 31, 2017, Cablevisión served more than 38% of the Argentine pay television market and more than 32% of the Argentine Internet broadband market, in each case in terms of the number of subscribers.

The following map sets forth Cablevisión's network infrastructure and main coverage areas prior to the Merger Effective Date.

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(1) Green circles represent the sky digital headends in airspace, blue circles represent main digital headends, red circles represent secondary digital headends and red lines represent fiber optic back bones.

**Certain Acquisitions**

On September 11, 2015, Cablevisión acquired 49% of the outstanding capital of Nextel Communications Argentina S.R.L. ( Nextel ). On January 27, 2016, Cablevisión both directly and indirectly through some of its subsidiaries, completed the acquisition of the remaining 51% outstanding capital of Nextel.

On March 3, 2016, the Argentine National Communications Agency ( Enacom ) approved Cablevisión s acquisition of a 100% stake in Nextel. On April 12, 2017, the CNDC approved Cablevisión s acquisition of Nextel.

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, Cablevisión can offer its customers fourth generation (4G) access, among other innovative mobile services. See Operating and Financial Review Factors Affecting Cablevisión s Results of Operations Acquisition and Internal Growth.

On March 6, 2017, Enacom approved Nextel s refarming project and authorized Nextel to exploit the required frequencies to provide advanced mobile communication services ( SCMA ). On April 12, 2017, Nextel and Enacom entered into an agreement (the Enacom Agreement ) setting forth the terms and conditions under which Nextel will provide SCMA. Pursuant to the Enacom Agreement prior to providing SCMA, Nextel has to comply with certain obligations, that are currently being fulfilled by Nextel.

In June 2016, Cablevisión acquired Trixco S.A. ( Trixco ), a title holder of radio electric space in the 900 MHz frequency range. In addition, Nextel purchased Skyonline Argentina S.A. ( Skyonline ), Netizen S.A.

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( Netizen ), Infotel S.A. ( Infotel ) and Callbi S.A. ( Callbi ), which provide wireless telecommunication and radioelectric services in the 2.5 Ghz range.

Cablevisión completed all the steps required to absorb Nextel, Trixco, Skyonline, Netizen, Infotel and Callbi and filed the merger with the CNV for regulatory approval on September 18, 2017.

**History**

Cablevisión was a *sociedad anónima* organized under the laws of Argentina. Cablevisión was incorporated on April 5, 1979, for a term of 99 years (the maximum term permitted by Argentine corporate law upon formation) and its by-laws were registered with the IGJ on August 29, 1979 under No. 2,719, Book 93, Volume A of corporations. Under Argentine law, Cablevisión's shareholders are entitled to extend this term before its termination.

For more information about the history of Cablevisión's company please see Regulatory Framework and Description of the Argentine Cable and Broadband Industries History and Development of the Argentine Cable and Broadband Market.

**Cablevisión's Corporate Structure**

Prior to the Merger Effective Date, Cablevisión was a corporation (*sociedad anónima*) organized and operating under the laws of Argentina. Its principal executive office and registered domicile was located at General Hornos 690, Buenos Aires (1272), Argentina, and its telephone number was (5411) 5530-4589.

The chart set forth below shows Cablevisión's general consolidated corporate structure prior to the Merger Effective Date:



### **Cablevisión s Networks and Operating Regions**

As of the Merger Effective Date Cablevisión s principal activity was the operation of cable networks 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 . Cablevisión also operated 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, 2017, Cablevisión served approximately 3.5 million cable television customers and 2.3 million broadband 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, 2017, Cablevisión s network passed through approximately 7.9 million homes and extended to over approximately 51,100 kilometers, and its interurban fiber optic network passed through approximately 10,000 kilometers.

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The following table shows data in respect of Cablevisión's active customer relationships as of December 31, 2017 (excluding Nextel) and is based on information published by third parties and our internally generated market information:

	Total	AMBA	Province of Buenos Aires and Patagonia	Center	Litoral	Uruguay
Active Customer Relationships (1)	3,918	1,736	953	538	548	143
Cable Customers (2)	89%	87%	90%	89%	93%	100%
Broadband Customers (2)	60%	71%	55%	56%	50%	N/A

(1) Figures in thousands.

(2) Customers as a percentage of total active customer relationships.

As of December 31, 2017, Cablevisión's cable network passed through approximately 7.9 million homes. Cablevisión can deliver a two-way network with a bandwidth capacity of more than 750 MHz to approximately 80% of the homes passed through its cable network and, in the AMBA Region, this percentage increases to 86% of the homes passed through its cable network. Through these networks, Cablevisión offers 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.

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.

Cablevisión's 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.

Cablevisión's 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.

Cablevisión's 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.

**Network Architecture**

Cablevisión's network's trunk or backbone portion in the AMBA Region consists entirely of fiber optic cable. Cablevisión built a fiber optic cable ring around the City of Buenos Aires that provides network redundancy (which is a method for ensuring network availability in the event of a network device or path failure resulting in unavailability) and improves network reliability. Cablevisión has 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.

Cablevisión's cable networks outside of the areas described above are built with coaxial cable architecture. Cablevisión intends 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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**Main Products**

As of the Merger Effective Date Cablevisión offered its cable and broadband customers a diverse range of products, including:

- *Cablevisión Clásico*: Cablevisión's basic, analog cable television product;
- *Cablevisión Digital*: In addition to the basic grid included in *Cablevisión Clásico*, this option, which Cablevisión provides 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 Cablevisión's On Demand service that includes a variety of content including: (i) SVOD (where the subscriber is charged a monthly fee in order to access unlimited programmes), (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 Cablevisión'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 its subscribers to view TV content on multiple types of devices such as smartphones, tablets and smart-TVs. Over time, Cablevisión Flow will replace Cablevisión Play; and
- *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.

### **Programming and Other Cable Television Services**

Cablevisión invested significant resources to offer a wide variety of programming options in order to appeal to potential new subscribers and meet their needs. Cablevisión's revenues derived primarily from monthly subscription fees for basic cable service and high-speed Internet access. To a lesser extent, Cablevisión's 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.

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., LAPT, 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 Cablevisión's subscriber base and the fees it charges to its customers.

### **Premium Services**

Cablevisión's 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

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included in the basic package, provide exclusive content, and divide such content by movie genres, adult programmes 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 Cablevisión 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 programmes.

### **Basic Digital Service**

Cablevisión offered 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.

Cablevisión offered a package called the Basic Digital Pack. Through this package, Cablevisión's customers received the following channels, among others: Al Jazeera, Allegro, America Sports, Antena 3, Arirang, Baby TV, BBC, Bloomberg, CNN International, Deutsche Welle, Discovery Civilization, Discovery Science, Discovery Turbo, DX TV, ESPN 3, ESPN Extra, Eurochannel, Euronews, Fox News, Fox Sports 2, Fox Sports 3, France 24, Glitz, History 2, HTV, Maschic, MTV Hits, Much Music, Mundo Fox, Natgeo Wild, NBA TV, Nick Jr., Paramount, Solo Tango, Sun Channel, Syfy, The Golf Channel, Tooncast, TV Chile, TV Galicia, TV 5, VH1, VH1 Megahits, WOBI TV. They also received more than 50 additional audio channels, which gave Cablevisión's customers access to radio signals such as Radio Mitre, Radio Rivadavia, Radio Disney, FM 100, as well as to opera, rock, tango and salsa music, among other options.

### **HD Services**

Cablevisión offered high definition versions of the Cablevisión Basic HD and its 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 such as Canal 9, El Trece, Telefé and TV Pública, together with other channels such as Fox Sports, Cinecanal, MTV, Disney, BBC, Discovery, Sony and Space.

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

### **Internet Access, Corporate Products and Interactive Services**

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Cablevisión offered high-speed cable modem access to the Internet through its network under the Fibertel brand since September 1997. Cablevisión's 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, Cablevisión has consistently upgraded its network in order to increase the speed of its products. As of December 31, 2017, Cablevisión's customers had an average access to networks of 17 megabytes.

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 had 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.

Cablevisión also provided 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.

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Additionally, Cablevisión also offered international IP access through well-known global backbone providers.

**Mobile Services**

Cablevisión offered mobile services through its subsidiary Nextel to existing customers by means of its Integrated Digital Enhanced Network which enables it to offer push to talk technology to such mobile services customers.

**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 new online content programme known as Flow that enables the Company to distribute its signals in a new way. Through the Flow program, Cablevisión distributed its contents through an IP structure coupled with digital television quadrature amplitude modulation, which included adequate security measures. Flow enabled Cablevisión's clients to use new modern functions such as lineal streaming, reverse electronic programme 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).

**Sales, Marketing and Customer Service**

Cablevisión's marketing strategy focused on subscribers that receive only one of its main services to cross sell its cable 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 both of Cablevisión's cable 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.

***Advertising and Marketing***

Cablevisión relied on various marketing tools, including promotions, customer service centers, communication of company news, and dissemination of institutional and programming information through its websites. Cablevisión advertised in graphic media and on its own broadcast advertising spaces. In addition, Cablevisión published a monthly magazine called *Miradas*, which was sold to a portion of its subscriber base.

Cablevisión'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 Cablevisión's customers, some of which are sponsored jointly with programming providers.

*Customer Service*

Cablevisión's customer service was provided through a unified center (the Contact Center) available 24 hours a day and 365 days a year. Cablevisión's customers could 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

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media is particularly important in Latin American countries and especially in Argentina, which shows a high degree of social media penetration.

Cablevisión obtained the Customer Operations Performance Center, or ( COPC ), certificate for its Contact Center. COPC promotes improvements in the way customer requests are handled and addressed, and is awarded based on the quality of customer service practices as well as customer satisfaction. One of the main achievements the Contact Center was the recertification of the COPC VMO 5.2 during 2016. The quality certification was also extended to the procedures used in connection with the new social network channel as well as with corporate clients.

Cablevisión'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. Cablevisión believes that its attention to customer service differentiates it from its competitors and is rewarded with customer loyalty.

**Billing and Subscriber Management**

Cablevisión's standard billing practice was to distribute invoices to its subscribers together with the monthly programming guide. Accordingly, almost all subscribers were invoiced in advance for their monthly cable television service. Cablevisión also invoiced most of its high-speed cable modem Internet access subscribers in advance.

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

Cablevisión sought to enforce a strict disconnection policy, consisting in 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, Cablevisión disconnected its services after a two-month period of non-payment and delivery of a corresponding notice of disconnection.

***Management of Churn***

Churn refers to the termination of a customer's account. The churn rate is determined by calculating the total number of disconnected customers over a given period as a percentage of the initial number of relevant customers for the same period.

Cablevisión's cable customer churn rate in 2017, was 14.6%, compared to 13.8% in 2016, 12.6% in 2015, 13.6% in 2014, and 12.7% in 2013.

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Cablevisión's broadband customer churn rate in 2017, was 17.1%, compared to 16.2% in 2016, 15.6% in 2015, 16.3% in 2014, and 15.2% in 2013.

To reduce losses associated with churn, Cablevisión seeks to enforce a strict disconnection policy.

### **Competition**

With respect to cable television transmission, Cablevisión faced competition from other cable television operators and providers of other television services, including direct broadcasting, satellite and wireless transmission

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services. As a result of the non-exclusive nature of Cablevisión's licenses, its 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.

While the Argentine paid television industry is highly fragmented and comprises over 700 operators, Cablevisión's largest competitors were Telecentro S.A., which is focused in the AMBA Region, and Directv Argentina S.A. ( DirecTV ) (satellite television), present throughout the entire country. Cablevisión also considered Over-The-Top internet video system providers such as Netflix, Arnet play 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.

The Argentine high-speed Internet access industry is characterized by the presence of large competitors, América Móvil and Telefónica. These companies also provide 4G services through their respective brands, Claro and Movistar.

Cablevisión therefore faced substantial competition from various players active in the Argentine cable television and data cable transmission industry, which continues to grow. See Item 3. Risk Factors Risks Relating to the Cablevisión Business Industry Following the Merger and the integration of Cablevisión business and operations, we face substantial and increasing competition in the Argentine cable television and data cable transmission industry (the Cablevisión Business ) in the TEO 2017 20-F.

**Labor**

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The following table sets forth the number of part-time and full-time employees as of the periods indicated:

<b>Type of Employment</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Part-time	312	304	460
Full-time	9,888	11,141	11,158
Total	10,200	11,445	11,618

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The following table sets forth a breakdown of Cablevisión's employees by main category of activity as of the periods indicated.

	2015	As of December 31, 2016	2017
<b>Employees by Activity</b>			
Operational	66%	65%	61%
Centralized services	14%	15%	15%
Commercial	10%	10%	11%
Administrative	10%	11%	13%

As of December 31, 2017, approximately 71.0% of Cablevisión's employees were unionized. Cablevisión believes that its relationship with these unions are stable as of the December 31, 2017, however, any tensions with the unions in the future may result in strikes or litigation.

	2015	As of December 31, 2016	2017
Unionized	75.9%	71.8%	71.0%
Non-Unionized	24.2%	28.2%	29.0%
Total	10,200	11,445	11,618

**Legal and Administrative Proceedings**

In the ordinary course of business, Cablevisión and its subsidiaries were involved in a number of legal, fiscal and administrative proceedings. Cablevisión evaluated the merit of each claim and assessed the likely outcome. The factors taken into account for the calculation of the provisions for lawsuits and contingencies were based on the present value of the estimated costs arising from the lawsuits brought against Cablevisión. In estimating its obligations, Cablevisión took into consideration the opinion of its legal advisors. Due to the uncertain nature of these issues, these estimates change as additional information becomes available and could result in material changes to the financial statements in subsequent periods. As of December 31, 2017, the total amount of loss contingencies related to legal procedures recorded for Cablevisión in accordance with IFRS was Ps. 855.5 million. For more information, see Note 29 to Cablevisión's Audited Financial Statements.

**Real Property**

As of December 31, 2017, Cablevisión owned real estate properties, including its corporate headquarters located in Barracas, in the City of Buenos Aires, and its operations center in Munro, in the Province of Buenos Aires.

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**REGULATORY FRAMEWORK AND DESCRIPTION OF THE ARGENTINE CABLE AND BROADBAND INDUSTRIES**

**General**

As of December 31, 2016, the national census estimated that Argentina had a total population of approximately 40.3 million, with an estimated 13.3 million households. Argentina is the largest and most developed cable television and data cable transmission market in Latin America. As of December 31, 2017, it had penetration of paid television services of around 69.1%, while broadband internet penetration reached 54.4%. As of December 31, 2017, according to Dataxis, cable systems serve nearly 67% of Argentine pay television subscribers, while approximately 33% of Argentine pay subscribers are served by MMDS, multi-channel multi-point distribution systems, ultra-high frequency spectrums and DTH, direct-to-home satellite.

*Cable Systems*

A cable system can be defined as a broadband network employing radio frequency transmission that utilizes coaxial and/or fiber optic cables as a means to transmit multiple channels carrying image, sound and data information between a central facility and individual subscribers. A cable system consists of three major parts:

- A headend, which is a collection of hardware that typically includes one or more satellite dishes, satellite receivers, modulators, amplifiers and videocassette playback machines. The headend amplifies, processes and feeds the signals that are sent via the distribution network.
- A distribution network, which consists of fiber optic trunk lines, coaxial network cables, network amplifiers and passive wires related to subscribers. These carry the signals from the headend towards the areas where subscribers and potential subscribers are located. Lastly, there is the domestic installation, where the rush cable connects the network signal deriver with the subscriber s television receiver or cable modem.
- The home terminal, which allows an individual subscriber to receive the cable signal (whether television or cable modem).

The evolution of fiber optic technology in the last few years has increased the use of this technology as part of the trunk network or backbone of cable television networks. Fiber optics have a number of advantages over coaxial cable, including the following:

- greater capacity;
- resistance to electrical interference;
- greater reliability; and
- cost reduction due to the elimination of amplifying equipment.

Fiber optic systems require less maintenance which, in turn, results in lower operational costs. Most fiber optic networks are constructed with a bandwidth capacity of up to 1 GHz. Such networks can generally transmit up to 110 analogical and over 500 digital channels. Additionally, these systems may transmit improved cable television services by means of analogical or digital decoders and provide access to broadband Internet through two-way, high-speed cable modems. Video digital decoders allow subscribers to communicate with a computer at a central headend so that the system may respond directly to each subscriber's programming requirements. The current digital decoder technology allows the cable operator to improve capacity, lower capacity or disconnect the connection of each subscriber. It also allows the operator to offer pay-per-view services and video on demand (in the case of digital decoders).



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***MMDS ( Multipoint Distribution Service )***

MMDS, often referred to as wireless cable, is a pay television distribution technology based on a microwave transmission system that operates from a headend, consisting of a satellite receiver or other subsystem used for the reception and retransmission of signals. Programming is then emitted by microwave transmitters from an antenna located on a tower or on top of a building to a small receiving antenna located at a subscriber's premises, where the encoded microwave signals are decoded. Although establishing an MMDS network is less capital intensive than constructing a cable television network, Cablevisión believes that cable television has competitive advantages over MMDS:

- MMDS transmissions cannot be received in shadowed areas where microwave transmission is blocked by terrain, buildings or other physical objects. In some cases, however, signal blockages may be overcome through the use of low-power signal repeaters that retransmit an otherwise blocked signal over a limited area;
- MMDS has limited channel capacity, lower reliability and lower quality of signal; and
- generally, the installation of an MMDS client requires more sophisticated manpower and more expensive equipment than that required for a traditional cable television installation without a decoder.

As of the date of this 6-K, there are approximately 6 MMDS operators serving approximately 94,000 subscribers in Argentina.

***DTH ( Direct to Home )***

DTH systems (also known as Direct Broadcasting Systems) systems use high power satellites to deliver signals to antennae located in homes, hotels and apartment buildings. In comparison to MMDS signals that are locally transmitted, a DTH satellite footprint can cover large land areas. High frequency Ku-Band DTH technology permits the use of a smaller satellite receiver dish of 60 centimeters, offers more channels and better picture quality than C-Band DTH technology. DTH service in Argentina is regulated by the Media Law.

According to Dataxis, at present, only two companies, Red Intercable Satelital S.A. ( INTV ) and DirecTV, provide DTH services in Argentina. DirecTV has increased its subscribers base in Argentina from approximately 636,000 in 2007 to 2.9 million subscribers as of December 31, 2017.

DTH service may continue to grow in Argentina, especially in rural areas, as no cable networks are available. Although Cablevisión believes that cable television has advantages over DTH, as cable television does not require its subscriber to bear the upfront cost of purchasing a dish and related hardware necessary for DTH, Cablevisión cannot assure you that DTH will not increase its market share in Argentina's pay television

market.

*OTA ( Over-the-Air ) and UHF ( Ultra High Frequency )*

There are five radio transmission stations in Argentina, all of which are located in Buenos Aires. Due to the limited reach of air frequencies, the radio transmission stations compete with cable television providers mainly in the AMBA Region.

UHF systems broadcast programming across airwaves with codified frequencies to subscribers who have obtained a signal decoder. Due to the limited reach of UHF frequencies available for broadcasting, UHF systems offer very few signals.

**History and Development of the Argentine Cable and Broadband Market**

Cable television in Argentina originated in the 1960s when community antenna systems were built to retransmit television service, from Buenos Aires to the country's interior. The Argentine government, acting through COMFER, granted non-exclusive licenses to provide cable service which resulted in the development of a highly fragmented industry with over 1,500 operators. The non-exclusive licensing system has also resulted in overlapping cable service areas, particularly in large markets such as the City of Buenos Aires, the metropolitan Buenos Aires area and the province of Buenos Aires.

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Beginning in 1993, in an effort to gain market share in the AMBA Region, the then-existing MSOs began to compete aggressively for subscribers, offering incentives that included lower basic service rates, free activation and nine months of free basic service, leading both to increased subscriptions and high subscriber termination rates as subscribers switched from one operator to another. Around the same time, the Argentine cable industry entered into a consolidation phase, which significantly reduced the number of cable operators. During this period, Cablevisión and Multicanal made various acquisitions, including the acquisition in 1997 of 100% of the shares of the VCC Group, the second largest MSO at the time.

Since 1998, notwithstanding the fact Cablevisión has focused its strategy on internal growth. Cablevisión has also carried out several acquisitions and corporate reorganizations, the most significant of which were its acquisitions of Multicanal and Teledigital in September 2006 and Nextel in January 2016. For more information, see Discussion and Analysis of Financial Condition and Results of Operations Certain Events Affecting Comparability of Cablevisión's Operating Results Acquisition of Nextel.

As of December 31, 2017, approximately 7.1 million users subscribed to broadband Internet access services in Argentina. Cablevisión's Fibertel brand accounted for 29% of the market, measured in terms of number of subscribers. Speedy, of Grupo Telefónica, had a market share of 27%. The remaining 18% was scattered among over 26 other broadband providers countrywide.

Cablevisión's Fibertel brand not only competes directly with other broadband Internet service providers, but also with ADSL technologies. Telefónica de Argentina S.A. offers its ADSL services through third-party providers that market their products jointly with Argentina's telephone companies, thereby increasing their distribution, communications and sales channels. Additionally, though in lower numbers, wireless technologies have captured a portion of the demand for Internet access.

Cablevisión's Fibertel brand concentrates its subscriber base in the AMBA Region, where approximately 62% of its subscribers are located and where it holds a market share of approximately 44% as of December 31, 2015.

**Regulatory Overview**

The regulatory framework applicable to the services Cablevisión provides in Argentina has recently undergone certain changes. The telecommunications services Cablevisión provides are principally regulated by Law No. 27,078 (the Digital Argentina Law ) and the National Emergency Decree No. 267 and are subject to the supervision and control of Enacom, an autarchic and decentralized entity under the jurisdiction of the Argentine Ministry of Modernization. Although Law No. 22,285 (the Broadcasting Law ) has been repealed by the Digital Argentina Law and Decree 267, the Broadcasting law is still relevant to the extent that Cablevisión has been granted licenses that remain valid under such law.

*The Broadcasting Law*

Cablevisión is currently the holder of licenses for the provision of subscription cable television services by physical and radio electric link that were originally granted pursuant to the Broadcasting Law. Under the Broadcasting Law, any company that intended to provide cable television services in Argentina was previously required to obtain a non-exclusive license issued by COMFER, the enforcement authority established by the Broadcasting law. Such companies were also required to obtain certain authorizations, including authorization by municipal agencies for some services.

The issuance of a license under the Broadcasting Law enables its owner to provide subscription cable television services within a specific area that may be extended through an extension request.

Moreover, the Broadcasting Law provided for a multiple license regime that did not limit the provision of subscription cable television services in different areas.

Under the Broadcasting Law, licenses were granted for an initial period of 15 years and contemplated the possibility of a one-time extension for an additional period of 10 years, subject to COMFER's approval.

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On May 24, 2005, Decree No. 527/05 suspended the terms of broadcasting licenses and their extensions for 10 years, which were automatically resumed upon expiration of the suspension term, subject to certain conditions. Companies seeking to benefit from the extension were required to submit proposals for COMFER's approval.

***The Media Law***

The Media Law was enacted on October 10, 2009, and became effective on October 19, 2009.

The Media Law provided for the replacement of former COMFER with the AFSCA, a decentralized and autarchic agency under the jurisdiction of the Executive Branch, and the enforcement authority under the Media Law.

The Media Law provided, among other things:

- a new scheme for granting and reviewing licenses over which the National Executive Branch had broad discretion;
- a 10-year limitation on the terms of the licenses, which contemplated a one-time non-renewable extension;
- authorizations and licenses became non-transferrable;
- new regulatory framework for signals, production companies and advertising agencies, including registration requirements;
- A multiple license scheme that (i) restricted to a maximum of 10 the number of audiovisual communication service licenses, plus a single broadcasting signal for radio, broadcast TV and subscription cable television services that used the radio spectrum; (ii) restricted the licensing of subscription broadcasting services rendered through a physical link (cable), limiting the number of licenses to a maximum of 24; (iii) set forth further restrictions regarding the provision of these services, which could not be provided to more than 35% of all inhabitants or subscribers nationwide; (iv) prohibited the simultaneous exploitation of a broadcast TV signal and a cable television signal in the same area; and (v) established that broadcast TV networks could only own one cable television signal. TV networks could only own the so-called local channel, which was mandatory for every license; and

- Mandatory quotas for certain types of content.

The Media Law also retroactively required holders of current broadcasting licenses that were acquired rights under the Broadcasting Law to conform to the Media Law within the term of one year.

Grupo Clarín and its main subsidiaries, including Cablevisión, initiated legal proceedings that resulted in the suspension of Section 161 of the Media Law with respect to Grupo Clarín, Cablevisión and other subsidiaries, until a final decision was rendered with regards to the constitutionality of such disputed sections. On October 29, 2013, the Supreme Court of Argentina dismissed the claim, thus confirming the constitutionality of the challenged sections.

#### *Digital Argentina Law*

In December 2014, the Argentine Congress passed the Digital Argentina Law, partially repealing Law No. 19,798 (the National Telecommunications Law). The Digital Argentina Law conditions the effectiveness of Decree No. 764/00, which deregulated the telecommunications market, to the enactment of four new sets of rules that will govern the License, Interconnection, Universal Service and Radio-electric Spectrum regimes.

The Digital Argentina Law establishes a single country-wide license scheme and the individual registration of the services to be rendered, renaming former telecommunication services as Information and Communications Technology Services ( TIC Services ). The Digital Argentina Law does not, however, alter, the scope of the licenses originally granted to Cablevisión and its subsidiaries.

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The Digital Argentina Law contemplates a license called *Licencia Única Argentina Digital*, which allows licensees to render any telecommunication services to the public, whether fixed or mobile, wired or wireless, national or international. Cablevisión and its subsidiaries were authorized by Secom to render the following services: data transmission, paging, videoconference, community retransmission, transport of broadcast signals, value-added, radio-electric trunking, internet access, public telephony, local telephony and national and international long-distance telephony.

Pursuant to the Digital Argentina Law, a new enforcement authority was created under the jurisdiction of the Executive Branch: the Information and Communications Technology Federal Enforcement Authority ( AFTIC ).

As of the date of this 6-K, the regulation of the Digital Argentina Law is still pending, thus the economic and operational effects that these regulations might have on Cablevisión s operations remain uncertain.

***Decree No. 267***

The National Communications Agency, or Enacom, a decentralized and autarchic agency under the jurisdiction of the Ministry of Communications, was created by Decree No. 267/15 as the enforcement authority under the Media Law and the Digital Argentina Law. Enacom has the same powers as those of AFSCA and AFTIC under the Media Law and the AFTIC under the Media Law and the Digital Argentina Law.

Decree 267 repealed Section 161 of the Media Law, which established conditions for ownership and limited the number of licenses, and amended Section 45 of the Media Law.

Under the new regulatory framework, the licenses granted to us and our subsidiaries under the Broadcasting Law and the Media Law are now called Registrations for the exploitation of physical link and radio-electric link subscription cable television services of a *Licencia Única Argentina Digital*.

The only license Cablevisión holds which could be considered to be subject to the Media Law is the registered title of the signal METRO, since this signal is broadcasted through other services and therefore has a registration number issued by Enacom that must be renewed on an annual basis.

Among other provisions Decree 267 eliminates:

- The inability to offer in the same location broadcast television services and subscription cable television services. Subscription cable television services exploited through a physical link or radio-electric link are considered

to be TIC services and are subject to the Digital Argentina Law;

- The limit of 10 licenses for radio-electric link subscription cable television services and 24 licenses for physical link subscription cable television services, which as from January 4, 2016, are considered to be TIC services;
- The 35% of all subscribers limit;
- The applicability of Section 45 of the Media Law and the multiple license regime contemplated therein to physical link and radio electric link subscription cable television services, as they are now subject to the Digital Argentina Law;
- The registration of physical link subscription cable television services and their limitation to a specific territorial area. This is also applicable to radio-electric link subscription television services, however, the portion of the spectrum allocated to render such services is subject to geographical limits; but in this case, the portion of the spectrum allocated to render such services, limits the service to a specific area; and
- The expiration of registrations for both physical link subscription cable television services and for radio-electric link subscription cable television services, however, the portions of the spectrum allocated to render radio-electric link subscription cable television services do expire.



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Under Section 7 of Decree No. 267, the term for the use of radio electric spectrum frequencies by the holders of subscription television licenses allocated under the Broadcasting Law and the Media Law is the greater of the period established under the original title and 10 years from January 1, 2016.

Under Decree 267, providers of telecommunication services that have been granted licenses to provide fixed telephone services, or mobile telephone services providers that have been granted licenses pursuant to the list of bidding conditions approved by the former Ministry of Economy and Public Services, later ratified by Decree No. 1,461/93, will only be able to provide subscription broadcasting services by means of physical or radio-electric link after two years as of January 1, 2016. Such period may be extended for an additional year at the discretion of the Argentine government.

Under Law No. 26,122, such as Decree 267, Necessity and Urgency Decrees remain in effect so long as both chambers of the Argentine Congress do not approve their rejection. On April 6, 2016, the House of Representatives approved Decree 267, which took effect upon publication in the Official Gazette on April 8, 2016.

Pursuant to Resolution Enacom No. 1394/16 ( Resolution 1394 ), which approved the general regulation of broadcasting services subscription by physical and/or radio link, Cablevisión and its subsidiaries that have purchased bidding forms to apply for a license extension, must request an authorization for the specific coverage area.

Certain of Cablevisión's historic equity transfers and transfers of licenses were not previously approved by the COMFER and the AFSCA. However, pursuant to Decree 267 and Resolution Enacom 427/16, all transfers of broadcasting and TIC Services licenses are subject to the subsequent approval of the Enacom, which may be expressly granted or deemed approved if the Enacom does not make any official observation within 90 days from the effectiveness of the transfer. The transfer of licenses or shares without the approval of the Enacom is subject to revocation.

Although the regulation approved by Enacom pursuant to Resolution No. 1,394/16 was subsequently repealed by Resolution E697/2017 of the Ministry of Modernization, through which the new Licensing Regulation for Information and Communications Technology Services was implemented, the prior regulatory framework overseeing the signal grid is still in effect (for more information, see Programming Grid. )

***Programming Grid***

AFSCA Resolution No. 296/2010 provided guidelines for the organization of the programming grid applicable to owners of cable television services and regulated Section 65 of the Media Law.

In spite of Cablevisión's intentions to organize its programming grids in accordance with the Media Law, the AFSCA initiated multiple proceedings claiming that Cablevisión had failed to comply with Resolution No. 296/2010.

Although Cablevisión has responded to such actions, it has been fined in certain of them. As of the date of this 6-K, many of the decisions imposing such fines have been appealed.

On December 23, 2013, Cablevisión filed its new programming grid with the AFSCA, which contemplated both a digital and an analog system.

Pursuant to Section 7 of Decree 267, all physical link and radio electric link cable television services are governed by the Digital Argentina Law. Therefore, Cablevisión believes it is no longer subject to Section 65 of the Media Law and its implementing regulations.

Notwithstanding the foregoing, Resolution No. 1394/2016 ( Resolution 1394 ) issued by the Enacom states that providers of cable television services, whether through physical link or radio link, must comply with certain requirements relating to their programming grids.

Pursuant to Enacom Resolution No. 5160/2017, the inclusion of open television signals within their coverage area of a subscriber to a physical link and radio electric link cable television services will be subject to the terms and conditions agreed upon with the owner of the applicable open service and will only be considered mandatory retransmission if they are delivered free of charge by their owners. Likewise, the aforementioned

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regulation provides that the inclusion of informative signals will only be considered mandatory retransmission so long as they provide twenty-four (24) transmission hours, of which twelve (12) must be live hours.

In accordance with Section 7 of Decree 267, all physical link and radio electric link cable television services are governed by the Digital Argentina Law.

***Contributions to the Universal Service Fund, Radiofrequencies Fees, Control, Verifications and Supervision Fees and Broadcasting Fees***

As of the Merger Effective Date, Cablevisión complied with all of its obligations and payments arising from the universal service fund, the control rates, the verification and supervision fee and the payment of the broadcasting tax. Cablevisión was unable to comply with these payments while its Fibertel license was being challenged, but have resumed such payments as soon as this challenge was declared null. The sums not paid during this period have been included in the Cablevisión 2017 Audited Financial Statements.

***Registrations and authorizations relating to the transfer to Telecom Argentina S.A. Cablevisión's portion of the spectrum of radio and television frequencies as a result of corporate reorganizations and the Merger***

On December 22, 2017, Telecom Argentina and Cablevisión received Enacom Resolution No. 5,644-E/2017, whereby Enacom decided, among other things, to authorize Cablevisión's transfer in favor of TEO of the following:

- The various registrations relating to Cablevisión's physical and/or radio-electric link broadcasting services, including the permits/frequencies required to provide radio electric link broadcasting services, as well as the area authorizations to provide those services (via physical and radio electric 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 National Decree No. 1,340/2016, and in the rest of the areas authorized pursuant to Enacom Resolution No. 5,641/2017 dated December 20, 2017;
- The registration relating to render the radio electric trunking services; and
- The authorizations and permits held by Cablevisión to use frequencies and allocations of numbering and sign-posting resources to provide the above-mentioned services, pursuant to effective regulations, and the agreement executed by NEXTEL COMMUNICATIONS ARGENTINA S.R.L. on April 12, 2017

(IF-2017-08818737-APN-ENACOM#MCO), whereby TEO, in its capacity as absorbing company of Cablevisión, shall, within a term of two years as from the date on which the Merger is approved by the National Antitrust Commission and the Enacom or any agency that may substitute them in the future, return the radio electric 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, Telecom Argentina 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 No. 5,644-E/2017, the Enacom authorized the change of corporate control, pursuant to Section 33 of the General Associations Law No. 19,550, in TEO once the merger became effective and the shareholders agreement dated July 7, 2017 entered into effect, as a result of which Cablevisión Holding S.A. became the controlling company of TEO as surviving company of Cablevisión.

This resolution also approved:

- the relinquishment of the services registrations that are currently non-operative that had been requested by Cablevisión (SAP, SRC, STP, SLV and SAVR) and by TELECOM (SRC); and
- the revocation of the licenses and registrations granted to Cablevisión, now held by TEO.

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In addition, the resolution provides that:

(i) TEO shall comply with Section 95 of Law No. 27,078, which provides for the conditions under which it may operate the physical and/or radio electric link subscription television service, summarized below:

a. It 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) TEO was declared to be an operator with a significant position in the retail market of Fixed Internet Access market in the 37 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, Enacom decided that:

a. TEO 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 it 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. TEO 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; and

c. TEO shall ensure to other providers, under transparent, non-discriminatory and cost-oriented conditions, access to its own support infrastructure, especially, posts, masts and ducts.

All the provisions mentioned above shall be in effect for a term of two (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 whereby 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.

Finally, TEO was required to file, within a term of 180 days, proof of the registration of the change of management in Cablevisión Holding S.A.

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**The Uruguayan Audiovisual Communications Law**

The Uruguayan Audiovisual Communications Law No. 19,307 (the Uruguayan Audiovisual Law ) was published in the Official Gazette of Uruguay on January 14, 2015, and regulates the provision of radio, television and other audiovisual communication services. Although the executive branch was required by Section 202 of the Uruguayan Audiovisual Law to issue the corresponding regulations relating to this law within 120 days of its publication in the Official Gazette, as of the date of this 6-K the executive branch has only issued Decree No. 45/15, which provides for the implementation of only some of its provisions.

Among other things, the Uruguayan Audiovisual Law provides that:

- licenses for the use and assignment of the radio electric spectrum of non-satellite audiovisual communication services are valid for 15 years and can be renewed for subsequent 10-year periods subject to compliance with certain requirements;
- both individuals and legal entities are prohibited from being the sole or joint owners of more than six permits or licenses for the sale of television services to subscribers in Uruguay. If any such permits or licenses include the department of Montevideo, the limit is reduced from six to three;
- any individual person or legal entity that owned more than the permitted number of permits or licenses as of the date of effectiveness of the Uruguayan Audiovisual Law must transfer any permits or licenses in excess of such limit within four years of the effectiveness of the Uruguayan Audiovisual Law; and
- providers of television services cannot provide phone or data transmission services in Uruguay.

As of the date of the Merger Effective Date, Cablevisión's Uruguayan subsidiary Adesol was analyzing the potential consequences that the Uruguay Audiovisual Law may have on its operations, and was considering any legal actions that it might be entitled to take in order to protect its rights and those of its shareholders. Several actions have been filed by third parties claiming that the Uruguayan Audiovisual Communications Law is unconstitutional, the majority of which remain pending. However, such rulings will only affect the parties involved in the litigation.

**Antitrust Considerations**

*Antitrust Law*

The Argentine Antitrust Law regulates competition in the Argentine market. It is based on two basic pillars: a system of sanctions against anticompetitive behavior and preemptive regulation of market concentrations through established pre-merger controls.

The law defines the various acts that constitute anticompetitive based on whether if they restrict competition and cause harm to the general economic interest, and sets forth applicable fines. Acts that may give rise to penalties include:

- fixing, establishing or altering market prices, directly or indirectly, through concerted actions;
- limiting or controlling, by means of concerted action, technical developments or investments in the production, distribution or marketing of goods or services; and
- entering into agreements or undertaking concerted actions to distribute zones, markets, clientele or sources of supply, in each case that limit, restrict or distort competition or which constitute an abuse of a dominant position in the market.

Under the Argentine Antitrust Law, penalties can range from Ps. 10,000 to Ps. 150 million and may be doubled for repeat offenders. The CNDC and the Argentine Secretary of Domestic Trade (the SDT ) have the power to order a party to abstain from or cease any activities in violation of the provisions of the Argentine Antitrust Law, and to request a court with jurisdiction over the company engaging in such violations to order its liquidation or dissolution. The entity engaged in the prohibited practice as well as its directors, legal representatives, attorneys-in-



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fact, managers, statutory auditors and members of the supervisory committee are jointly and severally liable for any fines imposed by the CNDC and the SDT under the Argentine Antitrust Law.

The provisions of the Argentine Antitrust Law apply to all individuals and entities that carry out business activities in Argentina or abroad, to the extent that their acts, activities or agreements affect the Argentine market.

The CNDC monitors the Argentine economy, inhibits monopolies and encourages competition by analyzing and approving, rejecting or conditioning operations of economic concentration, such as mergers, transfers of on-going concerns, acquisitions of equity, convertible debt instruments or entering into agreements that grant control of, or a dominant influence over a company, when the combined volume of business of the relevant companies exceeds a certain threshold. Companies engaged in operations of economic concentration must submit to the CNDC a full description of their respective businesses and of the transaction or series of transactions that give rise to the economic concentration. The CNDC has a waiting period of 45 business days from the date of filing to approve the transactions, condition their approval or deny authorization. The final resolution of the matter is made by the SDT, based on a technical report by the CNDC. Conditions may include sale to a third party of a part of the operations or assets of the concentrated companies, or the partial approval of a global operation but rejection of one or more of the transactions under review. The 45-day period is suspended each time the CNDC requests additional information from the parties, until such additional information is furnished.

***Antitrust Legal Proceedings***

***Proceedings relating to anticompetitive behavior***

Cablevisión was a party to several proceedings under the framework of the Antitrust Law, facing charges of restrictive behavior, including the territorial division of markets, price discrimination, abuse of a dominant position, refusal to deal and predatory pricing. Cablevisión was also party to a proceeding filed by the *Cámara de Cableoperadores Independientes* (Chamber of Independent Cable Operators), objecting to the transactions effected on September 26, 2006.

Proceedings under the Argentine Antitrust Law pending against Cablevisión included the following:

- Proceedings relating to allegedly concerted subscriber allocation between us and Multicanal in the cities of Santa Fe and Paraná when Cablevisión was comprised of unrelated companies.
- Claim filed by different entities alleging pricing discrimination practices.

- Claims filed by different competitors relating to predatory pricing.

The investigations carried out by the CNDC and SCI may lead to the imposition of more fines pursuant to Law No. 25,156, which would be appealable. Any fines would be calculated based on the magnitude of: (i) the loss incurred by the persons affected by the allegedly prohibited activity; (ii) the benefit obtained by all the persons involved in the prohibited activity and (iii) the value of the assets involved owned by the persons indicated in item (ii) above at the time the alleged violation was committed. To date, there no standard criteria for these guidelines.

While Cablevisión believes that its conduct has always been within the bounds of the Argentina antitrust law and regulations, and that its positions in each of these proceedings are reasonably grounded, Cablevisión can give no assurance that any of these cases will be resolved in its favor.

*Proceedings related to monthly subscription prices*

SCI passed Resolution No. 50/10 ( Resolution 50 ), which approved certain rules for the sale of pay television service. These rules provide that cable television operators must apply a formula to estimate their monthly subscription prices. The price calculated with this formula was to be reported to the Office of *Dirección de Lealtad Comercial* (Office of Business Loyalty) between March 8 and March 22, 2010. Cable television operators must adjust this amount semi-annually and inform the Office of Business Loyalty of the results of such adjustment.

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The actual impact of the application of this formula remains uncertain, due to the vagueness of the parameters provided by Resolution 50 to reach the required monthly subscription prices. Cablevisión believes that Resolution No. 50 is arbitrary, thus it has therefore filed related administrative claims and brought legal actions requesting the suspension of Resolution 50 and its nullification.

Cablevisión cannot assure you that the aforementioned proceedings will be decided in our favor. If the constitutionality of Resolution No. 50 is upheld, Cablevisión may be forced to modify the fee charged to our cable television customers, which could have a material adverse effect on our business. Notwithstanding the foregoing, as of the date of this 6-K, in accordance with the decision rendered 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 SCI to suspend the application of Resolution No. 50 with respect to all cable television licensees represented by the Argentine Cable Television Association ( ATVC using its Spanish acronym). This decision is in full effect and may not be disregarded by the SCI.

On June 1, 2010, the SCI imposed a Ps. 5 million fine on Cablevisión alleging that Cablevisión had failed to comply with the information regime set forth by Resolution No. 50. The fine was appealed and reduced to Ps. 300,000. Nevertheless Cablevisión has also appealed this fine.

On March 10, 2011 SCI Resolution No. 36/11 ( Resolution 36 ) was published in the Official Gazette. This resolution falls within the framework of Resolution 50. Resolution 36 established parameters to be observed while providing services to our customers from January 2011 through April 2011. These parameters were as follows: (i) the monthly basic subscription price should be of Ps. 109 for that period; (ii) the price of other services rendered by us should remain unchanged as of the date of publication of the resolution; and (iii) the promotional benefits, existing rebates and/or discounts already granted as of that date should be maintained. The resolution also provided that Cablevisión must reimburse users for any amount collected above the price set for that period.

Cablevisión believes that Resolution 36 is illegal and arbitrary, since it is grounded on Resolution 50. Since the application of Resolution No. 50 has been suspended, the application of Resolution No. 36 has been suspended as well.

The SCI issued a series of resolutions through which it extended the effectiveness of Resolution No. 36 and adjusted the cable television subscription price to Ps. 152. Cablevisión believes, however, that as SCI has been ordered to suspend the application of Resolution No. 50 with respect to all cable television licensees (among them, Cablevisión and Cablevisión's subsidiaries) represented by ATVC, Cablevisión will continue to be protected by such preliminary injunction, and therefore, our ordinary course of business will not be affected.

*Tax Proceedings*

On October 1, 2015, the Second Chamber of the Court of Appeals on Federal Administrative matters rendered a decision in re AEDBA and other v. National Government - Decree No. 746/03 - AFIP on Incidental Procedure in favor of ATVC. Pursuant to this decision, the plaintiffs and the companies represented by such plaintiffs are entitled to have a differential VAT regime applicable to the sector which they operate. On December 3, 2015, the Supreme Court of Argentina dismissed the appeal filed by the Executive Branch. Therefore, the decision rendered by the Court of Appeals is final.

As a result of this decision, as from September 2015, Cablevisión and its subsidiaries started to calculate employer's contributions as tax credit on VAT. The amount Cablevisión calculated was approximately Ps. 237 million as of December 31, 2015.

*Legal Proceedings*

Cablevisión and its subsidiaries were party to various legal and administrative proceedings arising in the ordinary course of its business. Although the outcome of pending actions cannot be accurately predicted, in Cablevisión's opinion, such proceedings are not reasonably likely to have a material adverse effect on TEO's financial position or results of operations.

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We are aware of a legal action (the details of which we have not yet been notified as of the date of this 6K) brought against former Multicanal by an entity representing consumers and alleged financial victims (and by six other individuals), claiming damages suffered by noteholders individuals who are not professional investors or consumers derived from Multicanal's Acuerdo Preventivo Extrajudicial (Out-of-court Reorganization Proceeding). The plaintiff states that Multicanal's Acuerdo Preventivo Extrajudicial (Out-of-court Reorganization Proceeding) does not have *res judicata* effects. Since neither we nor Cablevisión have been served notice of the claim, we cannot evaluate the merits or likely consequences and outcome of such proceeding.

Cablevisión was served notice of Resolution No. 16,819, dated May 23, 2012, Resolution No. 16,765 dated March 16, 2012 and Resolution No. 17,769 dated August 13, 2015, whereby the CNV ordered the initiation of summary proceedings against Cablevisión and its directors, members of the Supervisory Committee and the head of Market Relations for an alleged failure to comply with the duty to inform. The CNV alleges that Cablevisión failed to comply with its duty to inform because the investor community was deprived of its right to become fully aware of the grounds of (i) a decision rendered by the Federal Court of Mendoza and the scope of the powers granted by that court to the co-administrator appointed in re Supercanal S.A. c/ Cablevisión S.A. s/amparo, (ii) a decision rendered 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 and others, and (iii) allegedly failed to disclose 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. As of the date of this 6-K, this legal matter is still pending resolution from the CNV.

We believe that there are strong arguments in Cablevisión's favor, however, we cannot assure that the outcome of these claim will be favorable.

On May 30, 2013, Cablevisión was served notice of a claim in re TELEVISORA PRIVADA DEL OESTE S.A. c/ GRUPO CLARÍN S.A. Y OTROS s/ ORDINARIO File No. 26,474/2011, which is pending before the Federal Commercial Court No. 16 of First Instance, Clerk's Office No. 32. The claim seeks damages resulting from certain decisions made with respect to Televisora Privada del Oeste S.A. As it arises from the claim, with Grupo Clarín, Cablevisión among others, would also be defendants. As of the date of this 6-K, the judge has not ordered discovery procedures.

As a result of a suspicious transaction report issued by the AFIP relating to transactions carried out between Cablevisión, as the controlling company, and certain of its subsidiaries, the UIF pressed criminal charges against Cablevisión and its officers in charge during the relevant fiscal year, for alleged money laundering in connection with intercompany movements between Cablevisión and certain subsidiaries during the 2008 fiscal period. The claim is now pending before Federal Court No. 9.

During the month of March 2014, the intervening prosecutor, Dr. Miguel Angel Osorio, broadened the request for evidence.

We consider that there are strong arguments in Cablevisión's favor, and have gathered evidence that supports the lack of involvement of anyone in any such unlawful maneuvers. However, Cablevisión cannot assure you that the outcome of this claim will be favorable.

*Environmental Matters*

Cablevisión sought to comply with all relevant environmental legislation and no claims have been made against Cablevisión in respect of environmental matters.

Cablevisión has performed several tests in order to analyze the levels of radiation emitted by its equipment. All such tests have evidenced that the radiation levels are standard.

*Environmental Impact Assessment*

Cablevisión viewed sustainability as a way to conduct business and to operate and provide services. Several years ago, Cablevisión began taking action to manage environmental matters, at first through separate activities, some of which have been implemented.

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As of 2014, Cablevisión incorporated the Environmental Model ISO 14001, which has been implemented in the city of Rosario and will be expanded to its entire operations.

Cablevisión has overseen the systematic collection of information relating to environmental management indicators, in line with to the Global Reporting Initiative (GRI) guidelines for voluntary reporting to ensure the monitoring its environmental footprint and to continue improving its environmental performance. This initiative has been a great challenge because it has meant the collection and consolidation of environmental performance information in over 280 sites across Argentina, where various activities are carried out, namely: administrative offices, commercial offices, channels for television content production and technical bases. The cooperation of those responsible for the sites, health, security, occupational assistance and environment teams, and collaborators from various areas of Cablevisión's management have been crucial. Management's support highlights the importance of the monitoring of Cablevisión's environmental impact in order to improve its approach and planning of initiatives aimed at improving its performance.

*Consumption of Resources*

Company consumption is closely linked to the provision of services and therefore varies greatly, from office materials to the materials used to grant Cablevisión's clients access to its Internet and cable television services.

Cablevisión relied on exiting processes to reduce the consumption of decoders across the country and developing mechanisms to recover the units loaned to customers which are in poor condition, in order to repair and refurbish them in the repairs laboratory and reincorporate them into the commercial cycle.

Cablevisión's central building was located at General Hornos 690, and was built over the foundation of an existing building equipped with technology that reduces energy consumption in lighting, (through energy efficient lighting and movement sensors in meeting rooms), air conditioning and elevators.

The control of energy consumption and the management of energy are fundamental to the minimization of Cablevisión's carbon footprint and the impact of climate change.

The consumption of materials necessary for Cablevisión's operations generate waste, which Cablevisión works to separate by material in order to increase its environmental and social value, where possible. Cablevisión donates equipment to institutions that receive free Fibertel connections and others located in low-income neighborhoods. Cablevisión strived to contribute to global access to telecommunications services, as well as the protection of environment through the recycling of equipment. Since 2002, Cablevisión has collaborated with the *Programa de Reciclado de Fundación*

*Garrahan* (Recycling Program of the Garrahan Foundation). In 2015, Cablevisión donated 16,141 kilos of paper representing 274 medium trees, and 158 kilos of plastic bottle caps. In addition, Cablevisión donated 411 pieces of refurbished equipment to the *Fundación Equidad* (Equity Foundation) allowing for the reuse of these resources.



Table of Contents**RELATED PARTY TRANSACTIONS**

Cablevisión engaged in transactions with its shareholders and companies affiliated with its shareholders. In addition, Cablevisión required that transactions with its shareholders and companies affiliated with its shareholders be approved by its Board of Directors and, in certain cases, after an independent fairness opinion or the favorable vote of a majority of disinterested directors in accordance with CNV regulations.

The compensation paid to Cablevisión's Board of Directors and Senior Management for the fiscal year ended December 31, 2017 was Ps. 90 million.

The fees paid to the Board of Directors for the year ended December 31, 2017 amounted to Ps. 13.2 million.

Below are the outstanding balances between Cablevisión and related parties at December 31 2017 and December 31, 2016:

	2017	At December 31, (in Pesos)	2016
<b><u>Non-Current and Current Assets</u></b>			
Other receivables			
Associates	117,925,225		19,696,266
Other related parties	29,470		92,639
Trade receivables			
Associates			131,273
Other related parties	39,725,649		49,942,817
Investments			
Controlling company			365,498,268
Other related parties			314,438,866
<b><u>Non-Current and Current liabilities</u></b>			
Bank and financial debt			
Associates	(4,338,356)		(8,588,329)
Other Debts			
Controlling	(1,400,279,125)		
Other related	(2,677,510,931)		
Accounts payable and others			
Controlling companies			(6,343,679)
Associates	(3,368,511)		(3,326,521)
Other related parties	(297,139,515)		(194,065,557)

The following table shows the transactions between Cablevisión and related parties at December 31 2017, December 31, 2016 and December 31, 2015:

	2017	At December 31, 2016 (in Pesos)	2015
<b>Direct and indirect shareholders of the control group</b>			
Sales of services		1,301,941	754,876
Technical assistance services	(60,800,000)	(74,400,000)	(77,120,000)
Other placements		357,535,000	
Interest on other placements	12,093,508	2,327,817	
Loans received			(117,882,661)
Interest on debt			(1,980,648)

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Sales of services	8,581,649	7,219,633	8,892,123
Other sales	25,932,244	27,907,252	16,032,875
Loans received	(4,000,000)	(9,900,000)	(18,943,376)
Interest on debt	(885,479)	(2,055,184)	(2,242,601)
Other purchases	(11,693,731)	(6,809,554)	(10,396,346)

**Other related parties**

Sales of advertising	30,404,608	1,534,785	766,187
Other sales	36,086,631	33,216,760	39,626,653
Interest on other placements	24,196,871	51,058,069	50,043,739
Programming costs	(995,728,773)	(753,486,333)	(522,887,428)
Publishing and distribution of magazines	(249,075,251)	(220,921,593)	(155,086,739)
Consultancy services	(219,962,115)	(122,447,747)	(98,488,484)
Purchase of advertising	(103,372,050)	(69,038,428)	(51,852,883)
Other purchases	(13,749,677)	(23,552,770)	(10,113,045)

During year ended December 31, 2017, there were no transactions with related parties outside the ordinary course of business, or significant changes in balances, except for those detailed in Note 33 of the *Cablevisión 2017 Audited Financial Statements*.

***Agreements with shareholders****Technical Assistance Agreement*

On June 28, 2008, Cablevisión and Grupo Clarín executed a supplementary agreement to the technical assistance agreement, effective as of September 26, 2006, whereby Cablevisión amended the volume of the services rendered by Grupo Clarín and, thus, the mechanism used to determine Grupo Clarín's annual fee. Cablevisión paid fees of Ps. 77.1 million and Ps. 74.4 million to Grupo Clarín in 2015 and 2016, respectively. On January 6, 2017 the above-described agreement was further amended in order to reflect Grupo Clarín's new agreed upon annual fee of Ps. 60.8 million for 2017.

*Licensing and Programming Agreements with Affiliates*

Cablevisión and some of its subsidiaries were party to certain licensing agreements with TRISA, an entity in which Grupo Clarín holds a 50% stake, for the distribution of TyC Sports (a sports programming channel). Although the framework programming agreement with TRISA expired, the parties are negotiating a renewal and, pending completion of that negotiation, have continued to render services in reliance on the existing terms. In addition, Cablevisión also purchase broadcast television programming from ARTEAR, a subsidiary of Grupo Clarín.

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**Cablevisión S.A.**

**Consolidated Financial Statements**

for the years ended December 31, 2017, 2016 and 2015

presented on a comparative basis

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**INDEPENDENT AUDITORS REPORT**

To the Shareholders, President and Directors of

Telecom Argentina S.A. (surviving company of Cablevisión S.A.)

Legal address: Alicia Moreau de Justo 50

Autonomous City of Buenos Aires

Tax Code No.: 30-63945373-8

**Report on the financial statements**

We have audited the accompanying consolidated financial statements of Cablevisión S.A. and its subsidiaries (hereinafter, the Company ), which comprise the consolidated statement of financial position at December 31, 2017, the consolidated statements of comprehensive income, of changes in equity and of cash flows for the fiscal year then ended and a summary of significant accounting policies and other explanatory information.

The balances and other information corresponding to the fiscal years 2016 and 2015 are an integral part of the audited financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

**Board of Directors responsibility**

The Board of Directors of Telecom Argentina S.A. (as merging and continuing company) is responsible for the preparation and reasonable presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE, for its Spanish acronym) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV, for its Spanish acronym), as issued by the International Accounting Standards Board (IFRS). Further, the Board of Directors of Telecom Argentina S.A. is responsible for the existence of adequate internal control to prepare consolidated financial statements free from material misstatements due to errors or irregularities.

**Auditors responsibility**

Our responsibility is to express an opinion on the accompanying consolidated financial statements, based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISAs), as adopted in Argentina by the FACPCE through Technical Pronouncement

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No. 32 and its respective Adoption Memoranda. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and other information disclosed in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements due to fraud or error. In making those risk assessments, the auditor must consider internal control relevant to the Company's preparation and reasonable presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the management of Telecom Argentina S.A., as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements mentioned in the first paragraph of this report present fairly, in all material respects, the consolidated financial position of Cablevisión S.A. and its subsidiaries as of December 31, 2017, its consolidated comprehensive income and consolidated cash flows for the year then ended, in accordance with IFRS.

**Emphasis paragraph**

With no modifications to our opinion, we would like to emphasize:

- a) the information contained in Note 29.1.i. to the attached consolidated financial statements, which describes the situation related to the resolution issued by the regulator to calculate the monthly fee payable by the users of cable television services, whose decisions cannot be foreseen to date;
  
- b) the information included in Note 4.e) to the attached consolidated financial statements, explaining that on January 1, 2018 the Company was merged into Telecom Argentina S.A. as a result of the statutory merger effective as from that date.

**Report on compliance with current regulations**

In accordance with current regulations, we inform regarding Cablevisión S.A. that:

- a) the consolidated financial statements of Cablevisión S.A. have been transcribed to the Inventory and Balance Sheet book of Telecom Argentina S.A. (as merging and continuing company) and comply as regards those matters that are within our competence, with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;



b) the separate financial statements of Cablevisión S.A. arise from accounting records kept in all formal respects in conformity with legal regulations, which maintain the security and integrity conditions on the basis of which they were authorized by the National Securities Commission;

c) we have read the supplementary financial information, on which, as regards those matters that are within our competence, we have no observations to make;

d) at December 31, 2017, the debt accrued by Cablevisión S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records and calculation amounted to \$ 238,606,428, none of which was claimable at that date;

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e) as required by section 21, subsection b), Chapter III, Part VI, Title II of the rules issued by the National Securities Commission, we report that total fees for auditing and related services billed to the Company during the fiscal year ended December 31, 2017 account for:

e.1) 67% of the total fees for services invoiced to the Company for all concepts in that fiscal year;

e.2) 36% of the total fees for audits and related services invoiced to the Company, its parent companies, subsidiaries and affiliates in that year;

e.3) 28% of the total fees for services invoiced to the Company, its parent companies, subsidiaries and affiliates for all concepts in that year;

f) we have applied the anti-money laundering and financing of terrorism procedures for Cablevisión S.A. comprised in the professional standards issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires.

Autonomous City of Buenos Aires, March 7, 2018

PRICE WATERHOUSE & CO. S.R.L.

by Carlos A. Pace (Partner)

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Table of Contents**Cablevisión S.A.****Consolidated Statement of Comprehensive Income**

December 31, 2017, 2016 and 2015

	Note	12.31.2017	12.31.2016	12.31.2015
<b>Continuing operations</b>				
Revenues	6	40,952,254,497	30,571,193,944	20,125,357,239
Cost of sales (1)	7	(19,109,037,511)	(14,189,733,320)	(9,243,975,860)
<b>Gross income</b>		21,843,216,986	16,381,460,624	10,881,381,379
Selling expenses (1)	8	(5,992,249,541)	(4,398,098,782)	(2,524,906,935)
Administrative expenses (1)	8	(4,682,381,754)	(3,640,690,239)	(2,627,972,838)
Other income and (expenses), net		29,091,051	(11,429,716)	1,685,031
Result for acquisition of companies			114,093,096	
Financial costs	9	(2,242,011,692)	(2,596,575,482)	(2,784,674,993)
Other financial income and (expenses), net	10	(369,727,130)	222,131,850	(28,217,451)
Financial results		(2,611,738,822)	(2,374,443,632)	(2,812,892,444)
Equity in earnings from associates	11	167,717,283	131,378,676	504,747,128
Net income before income tax		8,753,655,203	6,202,270,027	3,422,041,321
Income tax	12	(2,858,952,325)	(2,095,215,277)	(909,187,780)
<b>Net income for the year</b>		<b>5,894,702,878</b>	<b>4,107,054,750</b>	<b>2,512,853,541</b>
<b>Other comprehensive income</b>				
<b>Items that can be reclassified to earnings</b>				
Variation in translation differences of foreign continuing operations		336,271,815	422,414,699	146,568,999
<b>Total comprehensive income for the year</b>		<b>6,230,974,693</b>	<b>4,529,469,449</b>	<b>2,659,422,540</b>
Earnings from operations attributable to:				
Equity holders of the Company		5,814,752,604	4,045,337,263	2,473,366,772
Non-controlling interests		79,950,274	61,717,487	39,486,769
Total comprehensive income attributable to:				
Equity holders of the Company		6,089,753,380	4,394,984,874	2,646,458,050
Non-controlling interests		141,221,313	134,484,575	12,964,490

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(1) Includes amortization of intangible assets and depreciation of property, plant and equipment of Ps. 3,986,852,423, Ps. 2,588,183,393 and Ps. 1,566,174,439 at December 31, 2017, 2016 and 2015, respectively.

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

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Table of Contents**Cablevisión S.A.****Consolidated Statement of Financial Position**

As of December 31, 2017 and 2016

	Note	12.31.17	Ps	12.31.16
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13	22,080,329,841		15,377,953,783
Intangible assets	14	2,368,037,807		1,921,465,069
Goodwill	15	4,109,075,840		4,041,725,646
Investments in associates	17	249,928,835		276,538,212
Investments	16			1,133,469,884
Deferred tax asset	12	43,805,656		71,338,687
Other receivables	18	236,933,052		290,033,086
<b>Total non-current assets</b>		<b>29,088,111,031</b>		<b>23,112,524,367</b>
<b>CURRENT ASSETS</b>				
Inventories	19	83,252,437		266,648,607
Other receivables	18	827,954,897		632,924,055
Trade receivables	20	1,753,086,921		1,673,554,772
Investments	16	109,796,025		619,957,153
Cash and cash equivalent	21	4,413,569,171		2,628,891,874
<b>Total current assets</b>		<b>7,187,659,451</b>		<b>5,821,976,461</b>
<b>Total assets</b>		<b>36,275,770,482</b>		<b>28,934,500,828</b>
<b>SHAREHOLDERS EQUITY (as per related statement)</b>				
Attributable to equity holders of the Company				
Shareholders contributions	22	1,200,000,000		1,200,000,000
Reserves and accumulated results	23	10,493,486,591		10,081,523,267
Attributable to non-controlling interests	24	566,898,157		426,053,160
<b>Total shareholders equity</b>		<b>12,260,384,748</b>		<b>11,707,576,427</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Bank and financial debt	25	9,907,032,371		8,579,453,749
Deferred tax liability	12	266,095,297		375,103,633
Provisions and other charges	29	1,091,885,130		955,036,803
Taxes payable				