

TELECOM ARGENTINA SA
Form 6-K
September 17, 2015
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

**Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934**

For the month of September 2015

Commission File Number: 001-13464

Telecom Argentina S.A.

(Translation of registrant's name into English)

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Buenos Aires, Argentina

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2015**

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(In millions of Argentine pesos or as expressly indicated)

1. General considerations

As required by CNV regulations, the Company has prepared its consolidated financial statements as of June 30, 2015 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

2. Telecom Group's activities for the six-month periods ended June 30, 2015 (1H15) and 2014 (1H14)

Total revenues and other income for 1H15 amounted to \$18,507 (+18.5% vs. 1H14), operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E amounted to \$15,359 (+18.2% vs. 1H14), operating income before depreciation and amortization amounted to \$5,135 (+24.7% vs. 1H14) representing 27.8% of consolidated revenues, operating income amounted to \$3,148 (+20.2% vs. 1H14) and net income amounted to \$1,978 (+7.7% vs. 1H14). Net income attributable to Telecom Argentina amounted to \$1,956 in 1H15 (+8.4% vs. 1H14).

	1H15	1H14	Variation	
			\$	%
Revenues	18,496	15,585	2,911	18.7
Other income	11	30	(19)	(63.3)
Operating costs without depreciation and amortization	(13,372)	(11,496)	(1,876)	16.3
Operating income before depreciation and amortization	5,135	4,119	1,016	24.7
Depreciation and amortization	(1,990)	(1,511)	(479)	31.7
Gain on disposal of PP&E and impairment of PP&E	3	10	(7)	(70.0)
Operating income	3,148	2,618	530	20.2
Financial results, net	(119)	154	(273)	n/a
Income before income tax expense	3,029	2,772	257	9.3
Income tax expense	(1,051)	(936)	(115)	12.3
Net income	1,978	1,836	142	7.7

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Attributable to:

Telecom Argentina (Controlling Company)	1,956	1,805	151	8.4
Non-controlling interest	22	31	(9)	(29.0)
	1,978	1,836	142	7.7

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

2.02	1.86
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• **Total revenues and other income**

During 1H15 consolidated total revenues increased 18.7% (+\$2,911 vs. 1H14) amounting to \$18,496 mainly fueled by the mobile services provided by Personal, Broadband and data transmission businesses.

	1H15	1H14	\$	Variation	%
Services					
Retail Voice					
Monthly Charges	628	592	36		6.1
Measured Services	856	740	116		15.7
Others	49	54	(5)		(9.3)
Wholesale Voice					
Fixed and mobile interconnection	314	302	12		4.0
Others	165	151	14		9.3
Data	839	683	156		22.8
Internet	2,075	1,503	572		38.1
Subtotal Fixed Services	4,926	4,025	901		22.4
Retail Voice					
Monthly Charges	1,830	1,431	399		27.9
Measured Services	983	855	128		15.0
Roaming	146	157	(11)		(7.0)
Others	300	152	148		97.4
Wholesale Voice					
Interconnection	758	794	(36)		(4.5)
Roaming	154	162	(8)		(4.9)
Mobile leases	17	20	(3)		(15.0)
Data	3,613	3,677	(64)		(1.7)
Internet	2,689	1,425	1,264		88.7
Subtotal Mobile Services - Personal	10,490	8,673	1,817		21.0

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		1H15	1H14	Variation \$	%
Retail Voice					
Monthly Charges		111	104	7	6.7
Measured Services		142	155	(13)	(8.4)
Roaming		5	5	-	-
Others		35	13	22	169.2
Wholesale Voice					
Interconnection		38	55	(17)	(30.9)
Roaming		15	-	15	n/a
Others		3	2	1	50.0
Data		148	164	(16)	(9.8)
Internet		261	207	54	26.1
Subtotal Mobile Services	Núcleo	758	705	53	7.5
		Revenue from services	16,174	13,403	2,771
					20.7
Equipment					
Fixed Services		23	31	(8)	(25.8)
Mobile Services- Personal		2,233	2,115	118	5.6
Mobile Services Núcleo		66	36	30	83.3
		Revenue from equipment sales	2,322	2,182	140
					6.4
Total Revenues		18,496	15,585	2,911	18.7

Services revenues amounted to \$16,174 (+20.7% vs. 1H14) and represented 87.4% of consolidated revenues (vs. 86.0% in 1H14). Equipment revenues increased 6.4%, amounting to \$2,322 and represented 12.6% of consolidated revenues (vs. 14.0% in 1H14).

Fixed Services

During 1H15, services revenues generated by this segment amounted to \$4,926 (+\$901 or 22.4% vs. 1H14), where Internet revenues have grown the most (+\$572 or +38.1% vs. 1H14), followed by data transmission services (+\$156 or +22.8% vs. 1H14) and voice retail services (+\$147 or +10.6% vs. 1H14).

Ø Voice

Voice retail revenues reached \$1,533 in 1H15 (+10.6% vs. 1H14). These revenues are still affected by frozen tariffs of regulated services since 2002. Revenues from regulated services reached approximately 26% of the segment services revenues in 1H15 (vs. 29% in 1H14).

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Monthly Charges and Supplementary Services increased \$36 or +6.1% vs. 1H14, reaching \$628, as a consequence of an increase in supplementary services (not regulated), mainly due to an increase of their prices and, to a lesser extent, to the increase in the subscriber base.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$856 (+\$116 or 15.7% vs. 1H14). The increase was mainly due to the increase in plans prices (both in local and long national distance), while customers remain stable. According to this, local measured service revenues increased 24.1% vs. 1H14 and DLD revenues increased 11.6% vs. 1H14. The Average Monthly Revenue per User (ARBU) amounted to \$62.5 pesos per month in 1H15 vs. \$55.7 pesos per month amounted in 1H14, representing an increase of 12.2%. The remaining retail voice revenues amounted to \$49 in 1H15 (-9.3% vs. 1H14). The decrease was mainly due to a decrease in customers and consumption of public telecommunication services and a decrease in customers' rehabilitation charges.

Voice wholesale revenues (including fixed and mobile interconnection revenues and lease of circuits, together with the revenues generated by the subsidiary Telecom USA amounting to \$66) amounted to \$479 in 1H15 (+5.7% vs. 1H14). Interconnection fixed and mobile revenues amounted to \$314 and the other wholesale revenues amounted to \$165 in 1H15 (+9.3% vs. 1H14), mainly due to higher prices related to cell sites rentals due to the variation of the \$/US\$ exchange rate.

Ø ***Data***

Data revenues (including the revenues generated by the subsidiary Telecom USA amounting to \$3) amounted to \$839 (+\$156 or +22.8% vs. 1H14). These revenues were generated focusing on the Company's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to higher prices of these services related to the variation of the \$/US\$ exchange rate and to the increase in the number of customers of these services.

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Ø **Internet**

Internet revenues amounted to \$2,075 (+\$572 or +38.1% vs. 1H14) mainly due to the expansion of the Broadband customers (+3.5% vs. 1H14) and an increase in average prices resulting in an improvement in the Average Monthly Revenue per User (ARPU), that amounted to \$190.1 pesos per month in 1H15 vs. \$143.0 pesos per month in 1H14 (+32.9% vs. 1H14). As of June 30, 2015, Telecom Argentina reached approximately 1,786,000 ADSL customers. These connections represent approximately 43.9% of Telecom Argentina s fixed lines in service (vs. 42.1% in 1H14).

Internet revenues represent 11.2% of consolidated revenues (vs. 9.6% 1H14) and 42.1% of Fixed Services segment revenues (vs. 37.3% in 1H14).

Personal Mobile Services

During 1H15, total services revenues amounted to \$10,490 (+\$1,817 or 21.0% vs. 1H14), being the principal business segment in revenues terms (64.9% and 64.7% of services consolidated revenues in 1H15 and 1H14, respectively). Personal reached 19.4 million subscribers in Argentina (-1.8% vs. 1H14). Approximately 68% of the subscriber base is prepaid subscribers and 32% is postpaid subscribers (including Cuentas claras plans and Mobile Internet dongles). The churn rate per month amounted to 3.1% in 1H15 (vs. 2.9% in 1H14).

Ø **Voice**

Voice retail revenues amounted to \$3,259 in 1H15 (+25.6% vs. 1H14). The increase was mainly due to the increase in monthly charges prices in the postpaid and Cuentas claras subscriber base and prepaid services, offset by the net variation of the subscriber base showing an increase in Cuentas claras and a decrease in postpaid and prepaid subscribers as compared to 1H14.

Voice wholesale revenues amounted to \$929 in 1H15 (-4.8% vs. 1H14), mainly due to the decrease in interconnection traffic volume (especially Roaming and CPP).

Ø **Data**

Mobile data services revenues amounted to \$3,613 (-\$64 or -1.7% vs. 1H14). The decrease was due to lower revenues from the principal item of VAS revenues, SMS consumption, which decreased \$330 as compared to 1H14 (-14.1%), showing a decrease in TOU (-44.4% vs. 1H14) and an increase in such services prices for Cuentas claras and postpaid subscribers. Notwithstanding, this effect was partially offset with a constant increase of the SMS with content sales, as a result of several campaigns launched by Personal, which represented an inter-annual increase of \$286 or +23.0%.

Ø **Internet**

Mobile Internet revenues amounted to \$2,689 (+\$1,264 or +88.7% vs. 1H14). This increase is mainly explained by the increase in browsing services consumption of Personal s subscribers, which was mainly fueled by the increase in the offer of services, plans and packs (including VAS) launched by Personal. This growth was fueled by new subscribers, the migration of the existing ones to higher-value plans and the increase of subscribers that acquired 3G handsets, which facilitate Internet browsing in all subscribers segments. Internet flat rate services revenues have decreased mainly due to the decrease of Mobile Internet dongles subscribers (-38% vs. 1H14).

As a consequence of the increase in monthly charges tariffs and Internet consumption, ARPU increased to \$86.4 pesos per month in 1H15 (vs. \$70.0 pesos per month in 1H14), which represents an increase of 23.5%.

VAS revenues (data and Internet) amounted to \$6,302 (+23.5% vs. 1H14) and represented 60.1% of Personal Mobile Services services revenues (vs. 58.8% in 1H14).

Núcleo Mobile Services

This segment generated services revenues equivalent to \$758 during 1H15 (+\$53 or 7.5% vs. 1H14) mainly due to the Internet revenues increase (+26.1% vs. 1H14), mainly related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of June 30, 2015, Núcleo s subscriber base reached 2.5 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 80% and 20% in 1H15, respectively.

VAS revenues (data and Internet) amounted to \$409 (+10.2% vs. 1H14) and represented 54.0% of Núcleo Mobile Services segment services revenues (vs. 52.6% in 1H14).

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The Telecom Group's services revenues increased 20.7% showing a 60.0% increase of Internet revenues in all segments vs. 1H14, increasing its margin over total services revenues according to the following table:

	<u>Six-month periods ended</u>				<u>1H15 vs.</u>	
	<u>June 30,</u>				<u>1H14</u>	
	<u>2015</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>%</u>	
					<u>variation</u>	
Voice Retail	5,085	31	4,258	32	19.4	
Voice Wholesale	1,464	10	1,486	11	(1.5)	
Total Voice	6,549	41	5,744	43	14.0	
Internet	5,025	31	3,135	23	60.3	
Data	4,600	28	4,524	34	1.7	
Total service revenues	16,174	100	13,403	100	20.7	

Equipment

Revenues from equipment amounted to \$2,322, +\$140 or +6.4% vs. 1H14. This increase is mainly related to the Personal Mobile Services segment with an increase of \$118 vs. 1H14 due to lower handsets sold (-33% vs. 1H14) but with an increase in handset's average sale prices (+58% vs. 1H14), resulting in a higher operating margin of handsets (+\$298 or +103.1% vs. 1H14).

- Operating costs**

Consolidated operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E totaled \$15,359 in 1H15, which represents an increase of \$2,362 or +18.2% vs. 1H14. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure of the Telecom Group in Argentina, the increase in fees for services related to higher supplier prices, the increase in taxes and fees with the Regulatory Authority, the increase of VAS costs, the increase in bad debt expenses, higher provisions costs and higher agent commissions, which were mitigated by the lower cost of equipment and handsets of \$173.

	<u>1H15</u>	<u>1H14</u>	<u>Variation</u>		<u>Variation in \$ by segment</u>		
			<u>\$</u>	<u>%</u>	<u>Fixed Serv.</u>	<u>Personal M. Serv.</u>	<u>Núcleo M. Serv.</u>
Employee benefit expenses and severance payments	(3,258)	(2,537)	(721)	28.4	(544)	(171)	(6)
Interconnection costs and other telecommunication charges	(1,001)	(1,020)	19	(1.9)	(5)	4	20
	(1,869)	(1,599)	(270)	16.9	(122)	(141)	(7)

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Fees for services, maintenance, materials and supplies							
Taxes and fees with the Regulatory Authority	(1,853)	(1,564)	(289)	18.5	(54)	(232)	(3)
Commissions	(1,909)	(1,480)	(429)	29.0	(31)	(374)	(24)
Agent commissions capitalized as SAC	513	362	151	41.7	13	136	2
Cost of equipment and handsets	(1,777)	(1,950)	173	(8.9)	2	213	(42)
Cost of equipment and handsets capitalized as SAC	42	57	(15)	(26.3)	-	(22)	7
Advertising	(370)	(341)	(29)	8.5	24	(51)	(2)
Cost of VAS	(597)	(406)	(191)	47.0	(10)	(166)	(15)
Provisions	(167)	(102)	(65)	63.7	(16)	(49)	-
Bad debt expenses	(281)	(233)	(48)	20.6	22	(71)	1
Other operating expenses	(845)	(683)	(162)	23.7	(69)	(87)	(6)
Subtotal	(13,372)	(11,496)	(1,876)	16.3	(790)	(1,011)	(75)
Depreciation of PP&E	(1,391)	(1,106)	(285)	25.8	(112)	(162)	(11)
Amortization of SAC and service connection charges	(457)	(393)	(64)	16.3	(19)	(41)	(4)
Amortization of 3G/4G Licenses	(131)	-	(131)	n/a	-	(131)	-
Amortization of other intangible assets	(11)	(12)	1	(8.3)	-	-	1
Gain on disposal of PP&E and impairment of PP&E	3	10	(7)	(70.0)	10	(17)	-
Total operating costs	(15,359)	(12,997)	(2,362)	18.2	(911)	(1,362)	(89)

The costs breakdown is as follows:

Employee benefit expenses and severance payments

Employee benefit expenses and severance payments amounted to \$3,258 (+\$721 or +28.4% vs. 1H14). The increase was mainly due to increases in salaries agreed by Telecom Argentina with several trade unions for the unionized employees and also to non-unionized employees, together with related social security charges. With a total headcount of 16,286 by the end of 1H15 (vs. 16,549 employees in 1H14), lines in service per employee reached 375 in the Fixed Services segment (+1.1% vs. 1H14), subscribers per employee reached 3,854 in the Personal Mobile Services segment (slightly lower than 1H14) and subscribers per employee reached 6,220 (+10.7% vs. 1H14) in the Núcleo Mobile Services segment.

Employee benefit expenses and severance payments represents in 1H15 17.6% of revenues (vs. 16.3% in 1H14).

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Interconnection costs and other telecommunication charges

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, Interconnection costs, cost of international outbound calls and lease of circuits) amounted to \$1,001 (-\$19 or -1.9% vs. 1H14). The decrease was mainly due to a lower traffic volume in roaming vs. 1H14.

Fees for services, maintenance, materials and supplies

Fees for services, maintenance, materials and supplies amounted to \$1,869, +\$270 or +16.9% vs. 1H14. The increase was mainly due to higher maintenance costs of radio bases and buildings in the mobile services segments, as a result of the variation in the \$/US\$ exchange rate, an increase in technical assistance cost of radio bases, higher costs of building maintenance, higher costs of sites location and storage costs.

There were also increases in other maintenance costs and fees for services, mainly due to higher costs recognized to suppliers in all segments.

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority (including turnover tax, fees with the Regulatory Authority, IDC, municipal and other taxes) amounted to \$1,853 (+18.5% vs. 1H14), influenced mainly by the increase in revenues of fixed and mobile services and by the increase of the IDC related to higher collections and payments to suppliers in 1H15 vs. 1H14.

Commissions

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$1,909 (+\$429 or +29.0% vs. 1H14). The increase was mainly due to the increase in Agents' commissions (associated to higher revenues) as a result of higher customer's acquisition and retention costs recognized to them and the increase of outsourced sales commissions and collection commissions.

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On the other hand, agent commissions capitalized as SAC amounted to \$513, +\$151 or +41.7% vs. 1H14, and it is directly related to the increase in the Cuentas claras subscribers base in the Personal Mobile Services segment and the increase in the commissions prices related to higher cash flow as compared to 1H14.

Cost of equipment and handsets

Cost of equipments and handsets amounted to \$1,777 (-\$173 or -8.9% vs. 1H14) mainly due to a decrease in the units of handsets sold (-33% vs. 1H14), partially offset by an increase in the average unit cost of sales (+31% vs. 1H14) in the Personal Mobile Services segment.

On the other hand, SAC deferred costs from handsets sold amounted to \$42, -\$15 or -26.3% vs. 1H14. The lower capitalized amount was mainly due to the significant reduction of subsidies provided to customers in the Personal Mobile Services segment, especially in the Cuentas claras and postpaid segments.

Advertising

Advertising amounted to \$370 (+\$29 or +8.5% vs. 1H14), mainly due to higher commercial campaigns of Personal related to the launching of the 4G services throughout the whole country as compared to 1H14.

Cost of VAS

Cost of VAS amounted to \$597 (+\$191 or +47.0% vs. 1H14). The increase was mainly due to the increase of VAS sales in the Personal Mobile Services segment, especially the SMS with content service, which grew as a consequence of several campaigns launched by Personal. Cost of VAS over its related revenues increased 30.0% in 1H14 vs. 35.0% in 1H15.

Provisions

Provisions amounted to \$167, +\$65 or +63.7% vs. 1H14. The increase was mainly due to higher labor claims (+\$51 vs. 1H14) and higher civil and commercial claims (+\$31 vs. 1H14), partially offset by lower regulatory and municipal contingencies (-\$17 vs. 1H14).

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Bad debt expenses

Bad debt expenses amounted to \$281 (+\$48 or +20.6% vs. 1H14), representing approximately 1.5% of the consolidated revenues in 1H15 and 1H14, respectively. The major increase is observed in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables and higher incidence of handsets sales directly financed by Personal to its postpaid and Cuentas claras subscribers. The mentioned increase was partially offset by a \$22 decrease of these expenses in the Government and Corporate segment in Telecom Argentina in 2Q15 as a consequence of the collections from some governmental entities.

Other operating costs

Other operating costs amounted to \$845 (+\$162 or +23.7% vs. 1H14). The increase was mainly due to higher prices on related services, especially in transportation, freight and travel expenses (+\$54 or +20.5% vs. 1H14), among others, in the operations in Argentina; the increase of rent prices (+\$58 or +30.1% vs. 1H14), as a result of new agreements and the renegotiation of some of the existing ones and the increase of the consumption of electricity (+\$50 or +40.7% vs. 1H14).

• **Operating income before depreciation and amortization**

Operating income before depreciation and amortization amounted to \$5,135 (+\$1,016 or 24.7% vs. 1H14), representing 27.8% of consolidated revenues in 1H15 (vs. 26.4% in 1H14). This growth was mainly fueled by the Fixed Services segment (+\$366 or +38.2% vs. 1H14) and Personal Mobile Services segment (+\$645 or +22.4% vs. 1H14).

Operating income before depreciation and amortization generated by equipment and handset sales (including SAC capitalization) amounted to \$587 in 1H15 vs. \$289 in 1H14 (+\$298 or 103.1% vs. 1H14), while operating income before depreciation and amortization generated by services sales amounted to \$4,548 in 1H15 vs. \$3,830 in 1H14 (+\$718 or +18.7% vs. 1H14).

Depreciation and amortization

Depreciation and amortization amounted to \$1,990 (+\$479 or +31.7% vs. 1H14). The increase in depreciation and amortization includes \$285 from PP&E depreciation, \$130 from amortization of intangible assets without SAC (mainly 3G/4G Licenses which

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started their amortization in December 2014 and June 2015 and generated \$131 in 1H15) and \$64 from amortization of SAC and service connection costs. The increase in depreciation and amortization corresponds 27% to the Fixed Services segment and 73% to the mobile services segments.

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

Gain on disposal of PP&E increased \$3 vs. 1H14 and an impairment of \$10 related to work in progress was recorded in 1H15.

- **Operating income**

Operating income amounted to \$3,148 in 1H15 (+\$530 or 20.2% vs. 1H14). The margin over consolidated revenues represented 17.0% in 1H15 (vs. 16.8% in 1H14). This growth was mainly fueled by the Personal Mobile Services segment (+\$294 or +13.9% vs. 1H14) and the Fixed Services segment (+\$245 or +63.1% vs. 1H14).

- **Financial results, net**

Financial results, net resulted in a net loss of \$119, representing an increase of \$273 vs. 1H14. This net loss is related to the net financial position, which turned into a net financial debt for the first time since September 2009. The increase was mainly due to higher interests on provisions (-\$19 vs. 1H14), higher interests on loans (-\$71 vs. 1H14), lower net gains on NDF (-\$41 vs. 1H14) and lower financial interest on time deposits and other investments (-\$270 vs. 1H14), partially offset by higher interests on receivables (+\$10 vs. 1H14) and lower net foreign currency exchange losses (+\$127 vs. 1H14).

- **Net income**

Telecom Argentina reached a net income of \$1,978 in 1H15, +\$142 or +7.7% as compared to 1H14, representing 10.7% of the consolidated revenues in 1H15 (vs. 11.8% in 1H14). Net income attributable to Telecom Argentina amounted to \$1,956 in 1H15, +\$151 or +8.4% as compared to 1H14.

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- Net financial assets**

As of June 30, 2015, net financial debt (Cash and Cash Equivalents plus financial investments minus Financial debt) amounted to \$1,078, showing a decrease of \$4,885 as compared to the net financial asset as of June 30, 2014 (amounting to \$3,807). This variation was mainly due to a decrease in the generation of cash from operating activities of the Telecom Group, mainly by higher CAPEX which include the acquisition of the 3G/4G Licenses amounting to \$5,786 as of December 2014 and June 2015- and cash dividends paid to its shareholders for a total amount of \$1,451 (including tax withholding on cash dividends). The Fixed Services segment has a financial asset of \$720 while Personal Mobile Services segment has a net financial debt of \$1,578 and Núcleo Mobile Services segment has a net financial debt of \$220.

- Capital expenditures (CAPEX)**

CAPEX composition for 1H15 and 1H14 is as follows:

	In millions of \$		% of participation		Variation	
	1H15	1H14	1H15	1H14	\$	%
Fixed Services	908	899	19%	40%	9	1
Personal Mobile Services (*)	3,612	1,241	77%	55%	2,371	191
Núcleo Mobile Services	170	125	4%	5%	45	36
Total CAPEX	4,690	2,265	100%	100%	2,425	107

(*) Include 4G License for an amount of \$2,256.

PP&E CAPEX amounted to \$1,826 and intangible assets CAPEX amounted to \$2,864 in 1H15, while in 1H14 amounted to \$1,806 and \$459, respectively. The increase in intangible assets CAPEX was due to the acquisition of the last Lot of 4G Licenses for an amount of \$2,256 during June 2015.

In relative terms, CAPEX represented 25.4% of consolidated revenues in 1H15 (14.5% in 1H14), and were intended mainly to the already mentioned 4G License (12.2% of consolidated revenues in 1H15), to the external wiring and network access equipment, to the initial deployment of the new 4G network, transmission and switching equipment, computer equipment and SAC.

PP&E and intangible assets additions (CAPEX plus materials additions) for 1H15 and 1H14 are as follows:

	In millions of \$		% of participation		Variation	
	1H15	1H14	1H15	1H14	\$	%
Fixed Services	1,147	1,131	22%	45%	16	1
Personal Mobile Services (*)	3,851	1,229	74%	49%	2,622	213
Núcleo Mobile Services	186	134	4%	6%	52	39
Total additions	5,184	2,494	100%	100%	2,690	108

(*) Include 4G License for an amount of \$2,256.

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

3. *Telecom Group s activities for the three-month periods ended June 30, 2015 (2Q15) and 2014 (2Q14)*

Telecom Group s net income amounted to \$937 in 2Q15, +\$7 or 0.8% vs. 2Q14. Net income attributable to Telecom Argentina amounted to \$928 in 2Q15 (+\$12 or 1.3% vs. 2Q14).

Total revenues and other income increased 18.3% vs. 2Q14 and operating income before depreciation and amortization amounted to \$2,501 (+\$494 or 24.6% vs. 2Q14), representing 26.0% of the consolidated revenues (vs. 24.7% in 2Q14). Operating income amounted to \$1,468 (+\$227 or 18.3% vs. 2Q14). Financial results, net amounted to -\$30 (-\$216 vs. 2Q14), while income tax expenses amounted to \$501 (+\$4 or 0.8% vs. 2Q14).

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF JUNE 30, 2015

Table of Contents**TELECOM ARGENTINA S.A.**

	2Q15	2Q14	Variation	
			\$	%
Revenues	9,624	8,119	1,505	18.5
Other income	4	20	(16)	(80.0)
Operating costs without depreciation and amortization	(7,127)	(6,132)	(995)	16.2
Operating income before depreciation and amortization	2,501	2,007	494	24.6
Depreciation and amortization	(1,033)	(772)	(261)	33.8
Gain on disposal of PP&E and impairment of PP&E	-	6	(6)	n/a
Operating income	1,468	1,241	227	18.3
Financial results, net	(30)	186	(216)	n/a
Income before income tax expense	1,438	1,427	11	0.8
Income tax expense	(501)	(497)	(4)	0.8
Net income	937	930	7	0.8
Attributable to:				
Telecom Argentina (Controlling Company)	928	916	12	1.3
Non-controlling interest	9	14	(5)	(35.7)
	937	930	7	0.8
Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)				
	0.96	0.94		

During 2Q15 consolidated revenues increased 18.5% (+\$1,505 vs. 2Q14) amounting to \$9,624, mainly fueled by mobile services, Broadband and data in the Fixed Services segment.

	2Q15	2Q14	Variation	
			\$	%
<u>Services</u>				
Retail Voice	788	704	84	11.9
Wholesale Voice	244	228	16	7.0
Data	432	364	68	18.7
Internet	1,102	777	325	41.8
Subtotal Fixed Services	2,566	2,073	493	23.8
Retail Voice	1,557	1,250	307	24.6
Wholesale Voice	448	488	(40)	(8.2)
Data	1,768	1,890	(122)	(6.5)
Internet	1,501	781	720	92.2
Subtotal Personal Mobile Services	5,274	4,409	865	19.6
Retail Voice	145	151	(6)	(4.0)
Wholesale Voice	30	30	-	-
Data	68	79	(11)	(13.9)
Internet	132	102	30	29.4
Subtotal Núcleo Mobile Services	375	362	13	3.6
Total services revenues	8,215	6,844	1,371	20.0
<u>Equipment</u>				
Fixed Services	13	18	(5)	(27.8)
Personal Mobile Services	1,352	1,236	116	9.4
Núcleo Mobile Services	44	21	23	109.5
Total equipment revenues	1,409	1,275	134	10.5
Total revenues	9,624	8,119	1,505	18.5

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Consolidated operating costs including depreciation, amortization and gain on disposal of PP&E and impairment of PP&E amounted to \$8,160 in 2Q15, which represented an increase of \$1,262 or 18.3% vs. 2Q14. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure in Argentina, the increase in fees for services related to higher supplier prices, the increase in taxes and fees with the Regulatory Matters, the increase in taxes and fees with the Regulatory Matters and the increase of VAS costs, partially offset by lower bad debt expenses and equipment and handsets cost .

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF JUNE 30, 2015

VIII

Table of Contents**TELECOM ARGENTINA S.A.**

			Variation	
	2Q15	2Q14	\$	%
Employee benefit expenses and severance payments	(1,715)	(1,354)	(361)	26.7
Interconnection costs and other telecommunication charges	(501)	(505)	4	(0.8)
Fees for services, maintenance, materials and supplies	(980)	(844)	(136)	16.1
Taxes and fees with the Regulatory Authority	(980)	(809)	(171)	21.1
Commissions	(1,086)	(806)	(280)	34.7
Agent commissions capitalized as SAC	313	229	84	36.7
Cost of equipment and handsets	(1,117)	(1,144)	27	(2.4)
Cost of equipment and handsets capitalized as SAC	22	26	(4)	(15.4)
Advertising	(179)	(177)	(2)	1.1
Cost of VAS	(304)	(215)	(89)	41.4
Provisions	(74)	(65)	(9)	13.8
Bad debt expenses	(98)	(115)	17	(14.8)
Other operating expenses	(428)	(353)	(75)	21.2
Subtotal	(7,127)	(6,132)	(995)	16.2
Depreciation of PP&E	(714)	(568)	(146)	25.7
Amortization of SAC and service connection charges	(241)	(198)	(43)	21.7
Amortization of 3G/4G Licenses	(72)	-	(72)	n/a
Amortization of other intangible assets	(6)	(6)	-	-
Gain on disposal of PP&E and impairment of PP&E	-	6	(6)	n/a
Total operating costs	(8,160)	(6,898)	(1,262)	18.3

CAPEX amounted to \$3,826 in 2Q15 (including \$2,256 related to the acquisition of Lot 8 of 4G Spectrum) and amounted to \$1,203 in 2Q14 (+\$2,623 or +218.0%).

4.	<i>Summary of comparative consolidated statements of financial position</i>
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	2015	2014	June 30, 2013	2012	2011
Current assets	7,983	8,346	8,987	5,277	3,505
Non-current assets	22,988	15,309	11,089	10,012	8,959
Total assets	30,971	23,655	20,076	15,289	12,464
Current liabilities	12,277	8,695	6,801	5,019	4,300
Non-current liabilities	2,821	2,094	1,729	1,620	1,232
Total liabilities	15,098	10,789	8,530	6,639	5,532
Equity attributable to Telecom Argentina (Controlling Company)	15,537	12,538	11,349	8,503	6,790
Equity attributable non-controlling interest	336	328	197	147	142
Total Equity	15,873	12,866	11,546	8,650	6,932
Total liabilities and equity	30,971	23,655	20,076	15,289	12,464

5. *Summary of comparative consolidated income statements*

	2Q15	2Q14	2Q13	2Q12	2Q11	1H15	1H14	1H13	1H12	1H11
Revenues and other income	9,628	8,139	6,653	5,259	4,457	18,507	15,615	12,726	10,389	8,601
Operating costs	(8,160)	(6,898)	(5,708)	(4,410)	(3,486)	(15,359)	(12,997)	(10,666)	(8,507)	(6,672)
Operating income	1,468	1,241	945	849	971	3,148	2,618	2,060	1,882	1,929
Financial results, net	(30)	186	79	51	(2)	(119)	154	214	112	17
Income before income tax expense	1,438	1,427	1,024	900	969	3,029	2,772	2,274	1,994	1,946
Income tax expense	(501)	(497)	(362)	(314)	(333)	(1,051)	(936)	(799)	(700)	(670)
Net income	937	930	662	586	636	1,978	1,836	1,475	1,294	1,276
Other comprehensive income, net of tax	(49)	27	(34)	(4)	13	(49)	233	29	21	60
Total comprehensive income	888	957	628	582	649	1,929	2,069	1,504	1,315	1,336
Attributable to Telecom Argentina										
(Controlling Company)	895	934	631	574	635	1,923	1,957	1,473	1,289	1,301
Attributable to non-controlling interest	(7)	23	(3)	8	14	6	112	31	26	35

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF JUNE 30, 2015

Table of Contents**TELECOM ARGENTINA S.A.****6. Statistical data (in physical units)****v Fixed services*****Voice and data services (in thousands, except for lines in service per inhabitants and employees)***

	1H15		1H14		1H13		1H12		1H11	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Equipment lines	3,551	-	3,528	-	3,823	15	3,804	4	3,804	3
NGN lines	1,295	18	1,184	8	1,108	16	987	32	923	43
Installed lines (a)	4,846	18	4,712	8	4,931	31	4,791	36	4,727	46
Lines in service (b)	4,064	(13)	4,103	(5)	4,114	5	4,148	10	4,119	9
Customers lines (c)	3,989	(12)	4,025	(3)	4,033	6	4,064	10	4,033	9
Public phones installed	28	(1)	31	(2)	35	(1)	39	-	42	(1)
Lines in service per 100 inhabitants (d)	19.3	-	19.7	-	19.9	-	20.3	-	20.4	-
Lines in service per employee (e)	375	5	371	(2)	373	2	370	-	372	(5)

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

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

Internet (in thousands)

	1H15		1H14		1H13		1H12		1H11	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Total ADSL subscribers	1,786	18	1,726	12	1,634	8	1,594	28	1,457	5

v **Mobile services**

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

	1H15		1H14		1H13		1H12		1H11	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Post-paid subscribers (i)	2,063	30	2,303	(62)	2,437	22	2,296	70	1,988	10
Cuentas claras plans (i)	4,010	72	3,853	(3)	3,644	61	3,232	56	2,887	7
Prepaid subscribers (ii)	13,213	(4)	13,407	(54)	12,905	142	12,714	42	12,125	28
Dongles (iii)	132	(12)	213	(18)	321	(32)	481	8	392	5
Total subscribers	19,418	86	19,776	(137)	19,307	193	18,723	176	17,392	51

Lines per employee	3,854	-	3,912	-	3,680	-	3,651	-	3,789	-
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Núcleo (in thousands, except for subscriber per employee disclosed in units)

	1H15		1H14		1H13		1H12		1H11	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter

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Post-paid subscribers (i)	29	1	29	1	29	-	29	(1)	27
Plan control subscribers (i)	345	13	308	4	278	8	238	11	207
Prepaid subscribers (ii)	2,021	-	1,904	(25)	1,906	18	1,849	20	1,664
Dongles (iii)	118	(5)	141	(6)	162	20	119	9	76
Subtotal mobile	2,513	9	2,382	(26)	2,375	46	2,235	39	1,974
Internet subscribers - Wimax	5	-	5	-	6	-	7	-	9
Total subscribers	2,518	9	2,387	(26)	2,381	46	2,242	39	1,983

Lines per employee (iv)	6,220	-	5,618	-	5,422	-	5,174	-	4,634	-
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- (i) Lines which are paid through customer billing.
- (ii) Prepaid lines which were refilled at least once in the last 13 months.
- (iii) Corresponds to mobile Internet subscribers with post-paid, Cuentas claras, Plan control and prepaid contracts.
- (iv) Internet Wimax subscribers are not included.

7. Consolidated ratios

	1H15	1H14	1H13	1H12	1H11
Liquidity (1)	0.65	0.96	1.32	1.05	0.82
Solvency (2)	1.05	1.19	1.35	1.30	1.25
Locked-up capital (3)	0.74	0.65	0.55	0.65	0.72

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

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF JUNE 30, 2015

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TELECOM ARGENTINA S.A.

8. Outlook

In 2015, the evolution of the fixed services segment is expected to continue in line with the trend experienced over the past years and shall be influenced by the level of maturity of the market with focus on increasing the value of the customers' base. In the Broadband business, Arnet continued capturing the growth opportunities the market offers, extending the offer of services with higher speeds and with proposals of overall integrated offers for customers (Internet, the fixed services segment and cellular mobile calls).

As regards pricing in the Fixed Services segment, the Company will continue the correspondent proceedings pursuant the new rules proposed by the LAD to reach the readjustment of the prices of the regulated services, and with them, of the economic-financial equation of Telecom Argentina (Note 10.i to the consolidated financial statements). The growing pressures over the cost structure of the Company and its investment plans seeking to modernize its infrastructure to provide next-generation services emphasize this need.

During fiscal year 2015, Personal's leadership strengths shall be consolidated by means of new added value added services especially in mobile broadband, based on the deployment of the new 4G networks which multiply tenfold the speed of mobile Internet speed in mobility. In this way, as the LTE infrastructure deploys on a national level, it is expected that our customers increase their access to content, among others, of the Personal Play platform (music, games and videos), the latter being one of the highest factors for revenue growth.

At the same time, and following with the commitment with quality, the Company expects to continue working to optimize the experience of customers who use the 3G/HSPA+ network, by means of improvements in the network infrastructure made possible as from December 2014 with the acquisition of additional spectrum. In this way, the third generation services will also expand, continuing with the technological reconversion and extension of the capacity of the network.

The infrastructure improvements and the availability of a wide portfolio of advanced devices within the offer will continue to be drivers of higher revenues based on innovative and convenient commercial proposals for those who choose Personal as mobile operator. This assumes favorable conditions for foreign trading, access to the exchange market and financing of LTE equipment, 4G handsets, hardware and software by the Telecom Group and its technological suppliers.

It is foreseen that the expansion of the subscribers' base will develop at lower rates due to the level of maturity and the high penetration of mobile services in the market.

The recent Telecom Argentina's corporate purpose change authorized by the AFTIC, by adapting it to the LAD provisions (Note 10.g to the consolidated financial statements) will allow the Company to expand its products and services offer and provides the Company with a better background to improve its position in ICTs and Audiovisual Communication markets.

The strategy implemented by the Management of the Company lays out the basic necessary fundamentals for the Telecom Group to pursue its objectives of continuous improvement of the quality of its services, to strengthen its market position and to improve its operating efficiency in order to satisfy the growing needs of the dynamic telecommunications market, all in compliance with the correspondent laws and regulations. The ambitious investment plans of the Telecom Group are based on this forward-looking vision and on the commitment of the Telecom Group with our country and its people.

Oscar Cristianci
Chairman of the Board of Directors

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF JUNE 30, 2015

Table of Contents**TELECOM ARGENTINA S.A.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(In millions of Argentine pesos)

	Note	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
ASSETS			
Current Assets			
Cash and cash equivalents	2	1,560	825
Investments	2	575	53
Trade receivables	2	4,425	4,124
Other receivables	2	692	670
Inventories	2	731	721
Total current assets		7,983	6,393
Non-Current Assets			
Trade receivables	2	133	143
Deferred income tax assets	2	199	140
Other receivables	2	211	200
Investments	2	344	301
Property, plant and equipment (PP&E)	2	14,508	13,809
Intangible assets	2	7,593	5,331
Total non-current assets		22,988	19,924
TOTAL ASSETS		30,971	26,317
LIABILITIES			
Current Liabilities			
Trade payables	2	6,013	6,072
Deferred revenues	2	573	507
Financial debt	2	2,987	179
Salaries and social security payables	2	979	1,022
Income tax payables	2	701	247
Other taxes payables	2	723	824
Other liabilities	2	39	47
Provisions	6	262	199
Total current liabilities		12,277	9,097
Non-Current Liabilities			
Deferred revenues	2	461	465
Financial debt	2	569	254
Salaries and social security payables	2	130	150
Deferred income tax liabilities	2	355	417
Income tax payables	2	7	9
Other liabilities	2	92	76
Provisions	6	1,207	1,080
Total non-current liabilities		2,821	2,451
TOTAL LIABILITIES		15,098	11,548
EQUITY (see Unaudited Condensed Consolidated Statement of Changes in Equity)			
Equity attributable to Telecom Argentina (Controlling Company)		15,537	14,418
Equity attributable to non-controlling interest		336	351

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TOTAL EQUITY	7	15,873	14,769
TOTAL LIABILITIES AND EQUITY		30,971	26,317

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

Adrián Calaza
Chief Financial Officer

Oscar Cristianci
Chairman of the Board of Directors

Table of Contents**TELECOM ARGENTINA S.A.****UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

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

	<u>Note</u>	<u>Three-month periods</u> <u>ended June 30,</u>		<u>Six-month periods</u> <u>ended June 30,</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues	2	9,624	8,119	18,496	15,585
Other income	2	4	20	11	30
Total revenues and other income		9,628	8,139	18,507	15,615
Employee benefit expenses and severance payments	2	(1,715)	(1,354)	(3,258)	(2,537)
Interconnection costs and other telecommunication charges	2	(501)	(505)	(1,001)	(1,020)
Fees for services, maintenance, materials and supplies	2	(980)	(844)	(1,869)	(1,599)
Taxes and fees with the Regulatory Authority	2	(980)	(809)	(1,853)	(1,564)
Commissions	2	(773)	(577)	(1,396)	(1,118)
Cost of equipments and handsets	2	(1,095)	(1,118)	(1,735)	(1,893)
Advertising	2	(179)	(177)	(370)	(341)
Cost of VAS	2	(304)	(215)	(597)	(406)
Provisions	6	(74)	(65)	(167)	(102)
Bad debt expenses	2	(98)	(115)	(281)	(233)
Other operating expenses	2	(428)	(353)	(845)	(683)
Depreciation and amortization	2	(1,033)	(772)	(1,990)	(1,511)
Gain on disposal of PP&E and impairment of PP&E	2	-	6	3	10
Operating income		1,468	1,241	3,148	2,618
Finance income	2	165	264	270	1,063
Finance expenses	2	(195)	(78)	(389)	(909)
Income before income tax expense		1,438	1,427	3,029	2,772
Income tax expense	2	(501)	(497)	(1,051)	(936)
Net income for the period		937	930	1,978	1,836
Attributable to:					
Telecom Argentina (Controlling Company)		928	916	1,956	1,805
Non-controlling interest		9	14	22	31
		937	930	1,978	1,836
Earnings per share attributable to Telecom Argentina basic and diluted	1.d	0.96	0.94	2.02	1.86

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

Adrián Calaza
Chief Financial Officer

Oscar Cristianci
Chairman of the Board of Directors

Table of Contents**TELECOM ARGENTINA S.A.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Argentine pesos)

	<u>Three-month periods</u>		<u>Six-month periods</u>	
	<u>ended June 30.</u>		<u>ended June 30.</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net income for the period	937	930	1,978	1,836
Other components of the Statements of Comprehensive Income				
Currency translation adjustments (non-taxable)	(49)	27	(49)	233
Other components of the comprehensive income, net of tax	(49)	27	(49)	233
Total comprehensive income for the period	888	957	1,929	2,069
Attributable to:				
Telecom Argentina (Controlling Company)	895	934	1,923	1,957
Non-controlling interest	(7)	23	6	112
	888	957	1,929	2,069

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

Adrián Calaza
Chief Financial Officer

Oscar Cristianci
Chairman of the Board of Directors

Table of Contents**TELECOM ARGENTINA S.A.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Argentine pesos)

	Equity attributable to Telecom Argentina (Controlling Company)											Def res
	Outstanding shares		Owners Contribution Treasury shares		Treasury shares acquisition cost (2)	Legal reserve	Special reserve for IFRS implemen- tation	Voluntary reserve for capital investments	Voluntary reserve for future investments	Voluntary reserve for future dividends payments		
	Capital nominal value (1)	Inflation adjustment	Capital nominal value (1) (2)	Inflation adjustment (2)								
Balances as of January 1, 2014	969	2,646	15	42	(461)	725	351	1,200	2,904	-		
Dividends from Núcleo (3)	-	-	-	-	-	-	-	-	-	-	-	
Dividends (4)	-	-	-	-	-	-	-	-	-	-	-	
Legal Reserve (4)	-	-	-	-	-	9	-	-	-	-	-	
Voluntary reserve for capital investments (4)	-	-	-	-	-	-	-	1,991	-	-	-	
<u>Comprehensive income:</u>												
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	
Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	
Balances as of June 30, 2014	969	2,646	15	42	(461)	734	351	3,191	2,904	-		
Balances as of January 1, 2015	969	2,646	15	42	(461)	734	351	3,191	2,904	-		
Dividends from Núcleo (5)	-	-	-	-	-	-	-	-	-	-	-	
Dividends (6)	-	-	-	-	-	-	-	-	-	-	-	
Voluntary reserve for future dividends payments (6)	-	-	-	-	-	-	-	-	-	-	2,869	

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Comprehensive

income:

Net income for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-

Balances as of June 30, 2015

969	2,646	15	42	(461)	734	351	3,191	2,904	2,869
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(1) As of June 30, 2015 and 2014, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of June 30, 2015 and 2014, 15,221,373 were treasury shares.

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

(3) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 28, 2014.

(4) As approved by the Ordinary Shareholders Meeting of the Company held on May 21, 2014 (second tranche).

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

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

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

Adrián Calaza
Chief Financial Officer

Oscar Cristianci
Chairman of the Board of Directors

Table of Contents**TELECOM ARGENTINA S.A.****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of Argentine pesos)

		<u>Six-month periods</u> <u>ended June 30,</u>	
	<u>Note</u>	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net income for the period		1,978	1,836
Adjustments to reconcile net income to net cash flows provided by operating activities			
Bad debt expenses and other allowances		296	297
Depreciation of PP&E	2	1,391	1,106
Amortization of intangible assets	2	599	405
Consumption of materials	2	138	108
Gain on disposal of PP&E	2	(13)	(10)
Impairment of PP&E	2	10	-
Provisions	6	256	161
Interest and other financial losses		57	(363)
Income tax expense	2	1,051	936
Income tax paid	3	(870)	(1,297)
Net increase in assets	3	(752)	(950)
Net decrease in liabilities	3	(308)	(225)
Total cash flows provided by operating activities		3,833	2,004
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
PP&E acquisitions	3	(2,026)	(2,658)
Acquisition of 4G License	3	(2,256)	-
Intangible assets acquisitions	3	(548)	(478)
Proceeds from the sale of PP&E		12	12
Investments not considered as cash and cash equivalents	3	(502)	(1,211)
Total cash flows used in investing activities		(5,320)	(4,335)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from financial debt	3	2,602	-
Payment of financial debt	3	(12)	(6)
Payment of interest and related costs	3	(85)	(13)
Payment of cash dividends and related tax withholdings	3	(824)	(672)
Total cash flows provided by (used in) financing activities		1,681	(691)
<u>NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</u>		9	380
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		203	(2,642)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		684	5,224
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		887	2,582

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

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

Adrián Calaza
Chief Financial Officer

Oscar Cristianci
Chairman of the Board of Directors

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TELECOM ARGENTINA S.A.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2015 AND 2014

(In millions of Argentine pesos, except as otherwise indicated)

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GLOSSARY OF TERMS

The following explanations are not intended as technical definitions, but to assist the general reader to understand certain terms as used in these unaudited consolidated financial statements.

AMBA (Área Metropolitana de Buenos Aires): the Metropolitan Area of Buenos Aires.

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

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

ARSAT (Empresa Argentina de Soluciones Satelitales S.A.): a state-owned company.

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

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

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

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

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Company or Telecom Argentina: Telecom Argentina S.A.

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

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

CPP: Calling Party Pays.

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

D&A: Depreciation and amortization.

DLD: Domestic long-distance.

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

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

IAS: International Accounting Standards.

IASB: International Accounting Standards Board.

IDC (Impuesto a los débitos y créditos bancarios): Tax on deposits to and withdrawals from bank accounts.

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

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

LSC (Ley de Sociedades Comerciales): Argentine Corporations Law. Since the enforcement of the new Civil and Commercial Code its name was changed to *Ley General de Sociedades* .

Micro Sistemas: Micro Sistemas S.A.

NDF: Non-Deliverable Forward.

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

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TELECOM ARGENTINA S.A.

Núcleo: Núcleo S.A.

NYSE: New York Stock Exchange.

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

Personal: Telecom Personal S.A.

PP&E: Property, plant and equipment.

Regulatory Bodies: Collectively, the SC and the CNC.

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

RT: Technical resolutions issued by the FACPCE.

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

SAC: Subscriber Acquisition Costs.

SBT (Servicio básico telefónico): Basic telephone service.

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

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

SMS: Short message systems.

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

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

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

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

Telecom USA: Telecom Argentina USA Inc.

Telefónica: Telefónica de Argentina S.A.

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

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

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

As required by the CNV for most of public companies, these consolidated financial statements have been prepared in accordance with RT 26 of FACPCE (as amended by RT 29) and in accordance with IFRS as issued by the IASB, as adopted by the CPCECABA.

For the preparation of these consolidated financial statements, the Company has elected to make use of the option provided by IAS 34, so, these consolidated financial statements do not include all the information required in an annual financial statement, and must be read jointly with the 2014 annual consolidated financial statements which can be consulted at the Company's website (www.telecom.com.ar/inversores).

As of June 30, 2015, entities included in the consolidation process and the respective equity interest owned by Telecom Argentina is presented as follows:

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

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

(ii) Dormant entity as of June 30, 2015 and December 31, 2014 and for the six-month periods ended June 30, 2015 and 2014.

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

For the preparation of these consolidated financial statements, the Company followed the same accounting policies applied in the most recent annual consolidated financial statements except for Government bonds acquired during 1H15 which are valued at fair

value (Note 2.b)).

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

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

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

Publication of these consolidated financial statements for the period ended June 30, 2015 was approved by resolution of the Board of Directors' meeting held on August 3, 2015.

b) Financial statement formats

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

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

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TELECOM ARGENTINA S.A.

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

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

c) Segment reporting

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

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

Information regarding segment reporting is included in Note 4.

d) Net income per share

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

For the six-month periods ended June 30, 2015 and 2014, the weighted average number of shares outstanding totaled 969,159,605 shares, respectively.

NOTE 2 BREAKDOWN OF THE MAIN ACCOUNTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CURRENT ASSETS

a) Cash and cash equivalents

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Cash	16	14
Banks	127	370
Time deposits	481	1
Mutual funds	936	440
	1,560	825

b) Investments

Government bonds at fair value (Note 10.b)	474	-
Government bonds at fair value dollar linked	93	-
Government bonds at amortized cost	-	1
Provincial government bonds at amortized cost	8	24
Argentine companies notes	-	28
	575	53

Table of Contents**TELECOM ARGENTINA S.A.**

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
c) Trade receivables		
Fixed Services	1,153	1,220
Personal Mobile Services	3,466	3,076
Núcleo Mobile Services	135	120
Subtotal	4,754	4,416
Allowance for doubtful accounts	(329)	(292)
	4,425	4,124

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

	<u>June 30,</u> <u>2015</u> <u>(6 months)</u>	<u>December 31,</u> <u>2014</u> <u>(12 months)</u>
At the beginning of the year	(292)	(239)
Additions Bad debt expenses	(281)	(421)
Uses	244	370
Currency translation adjustments	-	(2)
At the end of the period/year	(329)	(292)

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
d) Other receivables		
Prepaid expenses	381	331
Prepaid expenses related parties (Note 5.c)	44	52
Insurance company (handsets) related party (Note 5.c)	55	46
Tax credits	84	108
Restricted funds	23	21
Advertisement reimbursement	12	40
Tax on personal property on behalf of shareholders	7	12
NDF (Note 10.b)	4	-
Receivables for suppliers indemnities	2	6
Other	105	77
Subtotal	717	693
Allowance for other receivables	(25)	(23)
	692	670

Movements in the allowance for other receivables are as follows:

	<u>June 30,</u> <u>2015</u> <u>(6 months)</u>	<u>December 31,</u> <u>2014</u> <u>(12 months)</u>
At the beginning of the year	(23)	(18)
Additions Bad debt expenses	-	(3)
Additions Other operating expenses	(3)	(3)
Uses	1	1
At the end of the period/year	(25)	(23)

	<u>June 30.</u> <u>2015</u>	<u>December 31.</u> <u>2014</u>
e) Inventories		
Mobile handsets	783	781
Fixed telephones and equipment	22	13
	Subtotal	794
Allowance for obsolescence of inventories	(74)	(73)
	731	721

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

	<u>June 30.</u> <u>2015</u> <u>(6 months)</u>	<u>December 31.</u> <u>2014</u> <u>(12 months)</u>
At the beginning of the year	(73)	(85)
Additions Fees for services, maintenance and materials	(6)	(81)
Uses	4	94
Currency translation adjustments	1	(1)
At the end of the period/year	(74)	(73)

Table of Contents**TELECOM ARGENTINA S.A.**

Sale and cost of equipment and handsets by business segment is as follows:

	<u>Three-month periods</u> <u>ended June 30,</u>		<u>Six-month periods</u> <u>ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		Profit (loss)		
Sales of equipment and handsets - Fixed Services	13	18	23	31
Cost of equipment and handsets - Fixed Services	(14)	(20)	(33)	(35)
Total equipment loss - Fixed Services	(1)	(2)	(10)	(4)
Sales of equipment and handsets - Personal Mobile Services	1,352	1,236	2,233	2,115
Cost of equipment and handsets - Personal Mobile Services	(1,038)	(1,087)	(1,637)	(1,850)
Deferred Costs SAC - Personal Mobile Services	8	13	14	36
Total equipment income - Personal Mobile Services	322	162	610	301
Sales of equipment and handsets - Núcleo Mobile Services	44	21	66	36
Cost of equipment and handsets - Núcleo Mobile Services	(65)	(37)	(107)	(65)
Deferred Costs SAC - Núcleo Mobile Services	14	13	28	21
Total equipment loss - Núcleo Mobile Services	(7)	(3)	(13)	(8)
Total equipment and handsets sale	1,409	1,275	2,322	2,182
Total cost of equipment and handsets (net of SAC capitalization)	(1,095)	(1,118)	(1,735)	(1,893)
Total income for sale of equipment and handsets	314	157	587	289

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
NON-CURRENT ASSETS		
f) Trade receivables		
Fixed Services	18	22
Personal Mobile Services	51	88
Núcleo Mobile Services	64	33
	133	143
g) Other receivables		
Prepaid expenses	131	101
Prepaid expenses related parties (Note 5.c)	18	36
Credit on SC Resolution No. 41/07 and IDC	84	85
Restricted funds	21	28
Tax on personal property - on behalf of shareholders	18	18
Tax credits	11	9
Guarantee deposits	10	8
Other	20	18
	Subtotal	303
Allowance for regulatory matters	(84)	(85)
Allowance for doubtful accounts (tax on personal property)	(18)	(18)
	211	200

Movements in the allowance for regulatory matters are as follows:

<u>June 30,</u> <u>2015</u> <u>(6 months)</u>	<u>December 31,</u> <u>2014</u> <u>(12 months)</u>

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At the beginning of the year	(85)	(85)
Uses	1	-
At the end of the period/year	(84)	(85)

Movements in the allowance for doubtful accounts (tax on personal property) are as follows:

	<u>June 30,</u> <u>2015</u> <u>(6 months)</u>	<u>December 31,</u> <u>2014</u> <u>(12 months)</u>
At the beginning of the year	(18)	(17)
Additions	-	(1)
At the end of the period/year	(18)	(18)

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
h) Investments		
Government bonds at amortized cost	274	257
Provincial and municipal government bonds at amortized cost	69	43
2003 Telecommunications Fund	1	1
	344	301

Table of Contents**TELECOM ARGENTINA S.A.**

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
i) PP&E		
Land, buildings and installations	1,045	1,045
Computer equipment and software	1,376	1,558
Switching and transmission equipment (i)	3,584	3,585
Mobile network access and external wiring	4,519	4,273
Construction in progress	2,487	2,184
Other tangible assets	417	416
Subtotal PP&E	13,428	13,061
Materials	1,226	872
Valuation allowance for materials	(29)	(24)
Impairment of PP&E	(117)	(100)
Total PP&E	14,508	13,809

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

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

	<u>June 30,</u> <u>2015</u> <u>(6 months)</u>	<u>December 31,</u> <u>2014</u> <u>(12 months)</u>
At the beginning of the year	13,933	11,403
CAPEX	1,826	4,304
Materials	494	590
Total PP&E additions	2,320	4,894
Currency translation adjustments	(64)	315
Consumption of materials	(138)	(227)
Decrease	(6)	(62)
Depreciation of the period/year	(1,391)	(2,390)
At the end of the period/year	14,654	13,933

Movements in the valuation allowance for materials are as follows:

	<u>June 30,</u> <u>2015</u> <u>(6 months)</u>	<u>December 31,</u> <u>2014</u> <u>(12 months)</u>
At the beginning of the year	(24)	(21)
Additions - Fees for services, maintenance, and materials	(5)	(6)
Uses	-	3
At the end of the period/year	(29)	(24)

Movements in the impairment of PP&E are as follows:

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	<u>June 30,</u> <u>2015</u> <u>(6 months)</u>	<u>December 31,</u> <u>2014</u> <u>(12 months)</u>
At the beginning of the year	(100)	(156)
Additions Impairment of PP&E	(10)	(25)
Additions Fees for services, maintenance, and materials	(7)	-
Depreciation	-	1
Uses	-	80
At the end of the period/year	(117)	(100)

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
j) Intangible assets		
3G/4G Licenses	5,636	3,511
Other licenses	588	588
SAC mobile services	962	820
SAC fixed services	100	93
Rights of use and exclusivity	206	218
Service connection or habilitation charges	99	99
Other intangible assets	2	2
	7,593	5,331

Table of Contents**TELECOM ARGENTINA S.A.**

Movements in Intangible assets are as follows:

	<u>June 30.</u> <u>2015</u> <u>(6 months)</u>	<u>December 31.</u> <u>2014</u> <u>(12 months)</u>
At the beginning of the year	5,331	1,519
3G/4G Licenses CAPEX	2,256	3,530
Other CAPEX	608	1,123
Currency translation adjustments	(3)	13
Amortization of the period/year	(599)	(854)
At the end of the period/year	7,593	5,331

CURRENT LIABILITIES**k) Trade payables**

	<u>June 30.</u> <u>2015</u>	<u>December 31.</u> <u>2014</u>
For the acquisition of PP&E	2,418	1,964
For the acquisition of other assets and services	2,205	1,966
For the acquisition of inventory	899	1,734
Subtotal suppliers	5,522	5,664
NDF (Note 10.b)	29	90
Agent commissions	462	318
	6,013	6,072

l) Deferred revenues

On prepaid calling cards	387	339
On international capacity rental	65	55
On connection fees - Fixed Services	33	33
On customer loyalty programs	84	76
From CONATEL - Núcleo Mobile Services	4	4
	573	507

m) Financial debt - Núcleo

..Bank overdrafts for the acquisition of 4G License (Personal - Note 10.f)	2,256	-
Bank overdrafts - principal (Personal)	663	140
Bank overdrafts - accrued interests (Personal)	10	1
Bank loans - accrued interests (Personal)	8	-
Bank loans - principal (Núcleo)	44	32
Bank loans - accrued interest (Núcleo)	6	6
	2,987	179

n) Salaries and social security payables

Annual complementary salaries, vacation and bonuses	615	690
Social security payables	279	255
Termination benefits	85	77
	979	1,022

o) Income tax payables

Income tax payables	1,181	1,769
Income tax retentions and payments in advance	(483)	(1,525)
Law No. 26,476 Tax Regularization Regime	3	3
	701	247

p) Other taxes payables

VAT, net	269	316
Tax withholdings	123	132
Internal taxes	97	86
Tax on SU	85	97
Regulatory fees	65	67
Municipal taxes	33	31
Turnover tax	27	68

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Perception Decree No.583/10 ENARD	18	15
Tax on personal property on behalf of shareholders	6	12
	723	824
q) Other liabilities		
Compensation for directors and members of the Supervisory Committee	23	28
Guarantees received	11	11
Other	5	8
	39	47

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NON-CURRENT LIABILITIES	<u>June 30,</u>	<u>December 31,</u>
	<u>2015</u>	<u>2014</u>
r) Deferred revenues		
On international capacity rental	293	307
On connection fees Fixed Services	72	67
On customer loyalty programs	90	82
From CONATEL Núcleo Mobile Services	6	9
	461	465
s) Financial debt - Núcleo		
Bank loans principal (Personal Note 10.a)	354	-
Bank loans principal (Núcleo)	215	254
	569	254
t) Salaries and social security payables		
Termination benefits	110	122
Bonuses	20	28
	130	150
u) Income tax payables		
Law No. 26,476 Tax Regularization Regime	7	9
	7	9
v) Other liabilities		
Pension benefits	85	68
Legal fees	5	5
Suppliers guarantees on third parties claims	1	2
Other	1	1
	92	76
w) Deferred income tax asset and liability		

Telecom Group's deferred income tax asset and liability consist of the following:

<u>As of June 30, 2015</u>	Deferred tax assets			Deferred tax liabilities		
	Telecom Argentina	Núcleo	Telecom USA	Total	Personal	Total
Allowance for doubtful accounts	(53)	(6)	(1)	(60)	(112)	(112)
Provisions	(348)	-	-	(348)	(150)	(150)
PP&E	-	(22)	-	(22)	-	-
Inventory	-	-	-	-	(59)	(59)
Termination benefits	(61)	-	-	(61)	-	-
Deferred revenues	(65)	-	-	(65)	-	-
Pension benefits	(30)	-	-	(30)	-	-
Other deferred tax assets, net	(66)	-	-	(66)	(6)	(6)
Total deferred tax assets	(623)	(28)	(1)	(652)	(327)	(327)
PP&E	367	-	1	368	137	137
Intangible assets	77	-	-	77	417	417
Cash dividends from foreign companies	-	5	-	5	95	95
Investments	-	-	-	-	33	33
Other deferred tax liabilities, net	-	3	-	3	-	-
Total deferred tax liabilities	444	8	1	453	682	682
Total	(179)	(20)	-	(199)	355	355

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<u>As of December 31, 2014</u>	Deferred tax assets				Deferred tax liabilities	
	Telecom Argentina	Núcleo	Telecom USA	Total	Personal	Total
Allowance for doubtful accounts	(53)	(6)	(1)	(60)	(70)	(70)
Provisions	(313)	-	-	(313)	(122)	(122)
PP&E	-	(17)	-	(17)	-	-
Inventory	-	-	-	-	(61)	(61)
Termination benefits	(64)	-	-	(64)	-	-
Deferred revenues	(61)	-	-	(61)	-	-
Pension benefits	(24)	-	-	(24)	-	-
Other deferred tax assets, net	(63)	-	-	(63)	-	-
Total deferred tax assets	(578)	(23)	(1)	(602)	(253)	(253)
PP&E	382	-	1	383	189	189
Intangible assets	74	-	-	74	348	348
Cash dividends from foreign companies	-	5	-	5	87	87
Investments	-	-	-	-	37	37
Other deferred tax liabilities, net	-	-	-	-	9	9
Total deferred tax liabilities	456	5	1	462	670	670
Total	(122)	(18)	-	(140)	417	417

Table of Contents**TELECOM ARGENTINA S.A.****x) Aging of assets and liabilities as of June 30, 2015**

Date due	Cash and cash equivalents	Investments	Trade receivables	Deferred income tax assets	Other receivables
Total due	-	-	988	-	-
Not due					
Third quarter 2015	1,560	145	2,738	-	378
Fourth quarter 2015	-	428	365	-	125
First quarter 2016	-	1	240	-	95
Second quarter 2016	-	1	94	-	94
July 2016 thru June 2017	-	314	123	-	117
July 2017 thru June 2018	-	7	7	-	44
July 2018 and thereafter	-	22	3	-	41
Not date due established	-	1	-	199	9
Total not due	1,560	919	3,570	199	903
Total	1,560	919	4,558	199	903
Balances bearing interest	1,417	918	1,001	-	-
Balances not bearing interest	143	1	3,557	199	903
Total	1,560	919	4,558	199	903
Average annual interest rate (%)	(a)	(b)	(c) (d)	-	-

(a) 1,357 are assets in Argentine pesos (936 bear at an average rate of 10.44% and 421 bear 23.73%) and 60 are assets in foreign currency bearing interests between 0.17% and 0.29%.

(b) 444 are assets in Argentine pesos (36 bearing interests between 15% and 27% and 408 are dollar-linked bonds bearing interests between 1.75% and 2.4%) and 474 are assets in foreign currency bearing 7%.

(c) From due trade receivables 72 bear 50% over the Banco de la Nación Argentina 30-day interest rate paid by banks, 360 bear 50% over the Banco de la Nación Argentina notes payable discount rate, 11 bear 8.3%, 476 bear 37.5% and 29 bear 36%.

(d) From not due trade receivables 17 bear 37% and 36 are assets in foreign currency bearing 8.3%.

Date due	Trade payables	Deferred revenues	Financial debt	Salaries and social security payables	Income tax payables	Deferred income tax liabilities	Other taxes payables	Other liabilities
Total due	(e) 475	-	-	-	-	-	-	-
Not due								
Third quarter 2015	5,508	426	2,956	495	2	-	716	16

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Fourth quarter 2015	29	51	5	146	1	-	-	-
First quarter 2016	1	49	17	215	-	-	-	-
Second quarter 2016	-	47	9	123	698	-	7	23
July 2016 thru June 2017	-	151	85	66	3	-	-	15
July 2017 thru June 2018	-	60	484	29	2	-	-	4
July 2018 and thereafter	-	250	-	35	2	-	-	73
Not date due established	-	-	-	-	-	355	-	-
Total not due	5,538	1,034	3,556	1,109	708	355	723	131
Total	6,013	1,034	3,556	1,109	708	355	723	131
Balances bearing interest	-	-	3,556	-	14	-	-	-
Balances not bearing interest	6,013	1,034	-	1,109	694	355	723	131
Total	6,013	1,034	3,556	1,109	708	355	723	131
Average annual interest rate (%)	-	-	(f)	-	9.00%	-	-	-

(e) From due trade payables 378 correspond to foreign suppliers (of which 41 are with related parties). As of the date of these consolidated financial statements, 184 of the due trade payables were cancelled.

(f) 2,929 are liabilities in Argentine pesos bearing 20.89%, 362 are liabilities in foreign currency bearing three-month LIBOR plus 8.75% and 265 are liabilities in guaraníes bearing 9.3%.

y) Foreign currency assets and liabilities

The following table shows a breakdown of Telecom Group's net assessed financial position exposure to currency risk as of June 30, 2015 and December 31, 2014.

06.30.15		
Amount of foreign currency (i)	Exchange rate	Amount in local currency (ii)
Assets		
US\$	80	(iii) 847
G	203,506	351
EURO	2	20
Total assets		1,218
Liabilities		
US\$	(412)	(3,725)
G	(137,360)	(504)
EURO	(10)	(102)
SDR	-	(2)
Total liabilities		(4,333)
Net liabilities		(3,115)

(i) US\$ = United States dollar; G= Guaraníes; SDR = Special Drawing Rights.

(ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.

(iii) Includes 474 corresponding to Government bonds valued at fair value (equivalent to US\$ 37 million).

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In order to partially reduce this net liability position in foreign currency the Telecom Group, as of June 30, 2015, holds investments adjustable to the variation of the US\$/ exchange rate (dollar linked) by \$408 and mutual funds whose main underlying asset are financial assets dollar linked for a total amount of \$319. So, the net liability position in foreign currency amounted to \$2,388 as of June 30, 2015 (equivalent to US\$ 278 million). Additionally, the Group has entered into several NDF contracts to purchase a total amount of US\$ 75 million (Note 10.b) and the portion of the net liability position in foreign currency not covered amounted to US\$ 203 million as of June 30, 2015.

Table of Contents**TELECOM ARGENTINA S.A.**

	12.31.14		
	Amount of foreign currency (i)	Exchange rate	Amount in local currency (ii)
Assets			
US\$	67	8.451	567
G	141,182	0.002	256
EURO	1	10.265	13
	Total assets		836
Liabilities			
US\$	(436)	8.551	(3,725)
G	(276,621)	0.002	(503)
EURO	(9)	10.407	(97)
SDR	(1)	12.240	(8)
	Total liabilities		(4,333)
	Net liabilities		(3,497)

(i) US\$ = United States dollar; G= Guaraníes; SDR = Special Drawing Rights.

(ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.

In order to partially reduce this net liability position in foreign currency the Telecom Group, as of December 31, 2014, holds investments adjustable to the variation of the US\$/ exchange rate (dollar linked) by \$332 and mutual funds whose main underlying asset are financial assets dollar linked for a total amount of \$359. So, the net liability position in foreign currency amounted to \$2,806 as of December 31, 2014 (equivalent to US\$ 328 million). Additionally, the Group has entered into several NDF contracts to purchase a total amount of US\$ 149 million (Note 10.b) and the portion of the net liability position in foreign currency not covered amounted to US\$ 179 million as of December 31, 2014.

z) Information on the fair value of investments in Government bonds and Argentine companies notes valued at amortized cost

Below are shown the investments in Government bonds and Argentine companies notes valued at amortized cost and their respective fair value as of June 30, 2015 and December 31, 2014: