

- (2) Includes lines customers, own usage, public telephony and ISDN channels.
- (3) Corresponds to the Northern Region of Argentina.
- (4) Excluding temporary employees.
- (5) Including Wi-Max Internet customers.
- (6) Excluding Wi-Max Internet customers.
- (7) Including temporary employees.

Exchange Rates

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

	High	Low	Average(1)	End of Period
Year Ended December 31, 2010	3.99	3.84	3.92	3.98
Year Ended December 31, 2011	4.30	3.97	4.15	4.30
Year Ended December 31, 2012	4.92	4.30	4.55	4.92
Year Ended December 31, 2013	6.52	4.98	5.55	6.52
Year Ended December 31, 2014	8.55	7.87	8.23	8.55
Month Ended October 31, 2014	8.50	8.45	8.48	8.50
Month Ended November 30, 2014	8.53	8.51	8.51	8.52
Month Ended December 31, 2014	8.56	8.53	8.55	8.55
Month Ended January 31, 2015	8.64	8.56	8.60	8.64
Month Ended February 28, 2015	8.73	8.66	8.69	8.73
Month Ended March 31, 2015	8.82	8.73	8.78	8.82
April 2015 (through April 21, 2015)	8.87	8.83	8.85	8.87

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

Sources: Banco de la Nación Argentina

On April 21, 2015, the exchange rate was P\$8.87= US\$1.00.

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Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

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Risk Factors

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

Risks Relating to Argentina

Overview

Substantially all of our property, operations and customers are located in Argentina, and a portion of our assets and liabilities are denominated in foreign currencies. Accordingly, our financial condition, results of operations and cash flows depend to a significant extent on economic and political conditions prevailing in Argentina and on the exchange rates between the peso and foreign currencies. In 2001 and 2002, the Argentine economy experienced a severe recession as well as a political crisis. The abandonment of dollar-peso parity in 2002 led to the significant devaluation of the peso against major international currencies. Argentina has experienced economic growth in the last decade, although it slowed down in 2014. Uncertainty remains as to whether the growth is sustainable, as well as how several factors would impact the Argentine economy, including among others, inflation rates, exchange rates, commodity prices, level of BCRA reserves, public debt, tax pressures and healthy trade and fiscal balances.

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

Since we realize a substantial portion of our revenues in pesos (our functional currency), any devaluation may negatively affect the U.S. dollar value of our earnings while increasing, in peso terms, our expenses and capital expenditures denominated in foreign currency. A depreciation in the Argentine Peso against major foreign currencies may also have an adverse impact on our capital expenditure program and increase the peso amount of our trade liabilities denominated in foreign currencies. Telecom seeks to manage the risk of devaluation of the peso by entering from time to time into certain NDF agreements to completely or partially hedge its exposure to foreign currency fluctuations caused by its liabilities denominated in foreign currencies (mainly U.S. dollars). The Company also has financial assets denominated in U.S. dollars that contribute to reduce the exposure to trade payables in foreign currencies. See “Item 11–Quantitative and Qualitative Disclosures About Market Risk.” Additionally, after December 31, 2014, Personal entered into a loan with a foreign bank for a total amount of US\$40.8 million. See “Item 4–Information on the Company–Introduction–Recent Developments–Telecom Personal’s financial debt.”

The Argentine Peso has been subject to significant devaluation against the U.S. dollar in the past and may be subject to fluctuations in the future. According to the exchange rate published by the Banco de la Nación Argentina, in the year ended December 31, 2014 the devaluation of the peso against the U.S. dollar was 31.1% (32.5% and 14.4% in the years ended December 31, 2013 and 2012, respectively).

In late 2011 the Argentine government implemented a series of measures aimed at maintaining the level of reserves of the BCRA which are often used to fulfill payment obligations of public debt. To that effect, during the last quarter of 2011 and throughout 2012, 2013 and 2014, new measures to limit the purchase of foreign currency by private companies and individuals, such as requiring the authorization of tax authorities to access the foreign exchange market, were implemented. Given the economic and political conditions in Argentina, we cannot predict whether, and to what extent, the value of the peso may depreciate or appreciate against the U.S. dollar,

the euro or other foreign currencies. We cannot predict how these conditions will affect the consumption of services provided by the Telecom Group or our ability to meet our liabilities denominated in currencies other than the peso. Moreover, we cannot predict whether the Argentine government will further modify its monetary, fiscal, and exchange rate policy or if a unified exchange market (Mercado Único y Libre de Cambios – or “MULC”) with significant regulation and restrictions for the purchase and transfer of foreign currency or

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if multiple exchange rates differentiated by nature of the transactions will be implemented. If any of these changes takes place we cannot anticipate the impact these could have on the value of the peso and, accordingly, on our financial condition, results of operations and cash flows, and on our ability to transfer funds abroad in order to comply with commercial or financial obligations or dividend payments to shareholders located abroad.

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

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

During the last few years there has been a substantial disparity between the inflation indexes published by the INDEC and those higher estimated by private consulting firms.

Since January 2014, a new consumer price index is published aimed at improving the accuracy of measurement of the evolution of the prices in the economy. The new index integrates a set of price indexes which allows the monitoring of the change in several prices in the economy (wholesale, commodities and construction costs, among others) by considering the price information from all the provinces of the country. In 2014 the new consumer price index (‘IPCNU’) showed an increase of 23.8%. In addition, the IPCNU for January and February 2015 was 1.1% and 0.9%, respectively.

The INDEC estimates that the Argentine wholesale price index increased by 12.7% in 2011, 13.1% in 2012, 14.8% in 2013 and 28.3% in 2014.

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

Since the majority of our revenues are denominated in pesos, any further increase in the rate of inflation not accompanied by a parallel increase in our prices would decrease our revenues in real terms and adversely affect our results of operations. As discussed below under “–Risks Associated with Telecom and its Operations,” Telecom Argentina’s ability to increase its regulated rates and the Company’s ability to increase its non-regulated rates is subject to the way the Argentine government or the Regulatory Bodies will regulate the new mechanism regarding price and tariff increases resulting from the LAD. We cannot guarantee that any possible rate increase will be sufficient to counter the effect of inflation, and we cannot assure you that any future increase of regulated rates of services provided by Telecom Argentina will be sufficient to restore its economic-financial equation.

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

Future policies of the Argentine government may affect the economy as well as the operations of the telecommunications industry, including Telecom Argentina.

The Argentine government has historically exercised significant influence over the economy, and telecommunications companies in particular have operated in a highly regulated environment. Due to the economic crisis of 2001 and 2002, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. In this context, the CNC adopted new interpretations of applicable regulations and imposed fines on telecommunications companies, particularly incumbent operators including our company. Also, new regulations such as SC Resolution No. 5/13 regarding the quality of telecommunication services could further increase penalties imposed by the Regulatory Bodies. In addition, local municipalities in the regions where we operate have also introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed line and mobile networks. For example, municipalities usually restrict areas where antennas may be deployed; causing negative impact for the mobile service coverage, which in turn affects our quality of services. See “Item 4–Information on the Company–The Business–Personal Mobile Services and Núcleo Mobile Services– Mobile Telecommunication Services in Argentina–Personal–Personal’s Network and Equipment.” Provinces have increased, and are continuing to increase, their tax rates, particularly the turnover tax rates,

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resulting in the highest rates in history. Municipal and provincial tax authorities have also brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. See “Item 8–Financial Information–Legal Proceedings–Tax Matters” for more information.

In particular, in recent years the Argentine government has taken several actions to re-nationalize concessions and public services companies that were privatized in the 1990’s, such as Aguas Argentinas S.A. and Aerolíneas Argentinas S.A. Additionally, in May 2012, Law No. 26,741, established the expropriation of the 51% of the capital stock of YPF S.A. and the 51% of the capital stock of YPF GAS S.A., which were directly or indirectly owned by Repsol YPF S.A. (Repsol). After almost two years of negotiations, in February 2014 a final agreement was reached through which the Argentine government set the compensation for the expropriated capital stock in the amount of US\$5 billion to be paid with government securities. The agreement was timely approved by Repsol and its shareholders and by the Argentine Congress in April 2014 through Law No. 26,932.

Argentina’s National election for President and Vice-President will take place in October 2015, and other relevant local and federal elections will also take place in 2015. We cannot guarantee that current programs and policies that apply to the telecommunications sector will remain in effect. Further claims may not be resolved in our favor, and changes to the existing laws and regulations may adversely affect our business, financial condition, results of operations and cash flows.

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

The global economic and financial crisis of 2008 has resulted in a significant reduction in global GDP growth and a loss in consumer confidence in the financial sectors of many countries. To improve the countries’ financial condition and assist certain troubled industries, some governments have responded with extraordinary intervention in the private sector. Certain governments of the leading industrialized nations have implemented various financial rescue plans outlining new regulatory frameworks that would be expected to remain in effect at least until market conditions and investor and consumer confidence have stabilized.

In November 2008, Argentina nationalized, through Law No. 26,425, its private pension and retirement system, which had been previously administered by the AFJP, and appointed ANSES as its administrator. Argentina’s nationalization of its pension and retirement system constituted a significant change in the government’s approach towards Argentina’s main publicly traded companies. A significant portion of the public float of these companies was owned by the AFJP and is currently held by ANSES, such as the case of Telecom. See “Item 7–Major Shareholders and Related Party Transactions.” The Government could exercise influence over corporate governance decisions of companies in which it owns shares by combining its ability to exercise its shareholder voting rights to designate board and

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

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

Subsequently, the Secretary of Economic Policy and Development Planning approved Resolution No. 110/12 which assigns the responsibilities, powers and duties set forth in Decree No. 1,278/12 to the “*Dirección Nacional de Empresas con participación del Estado*” (National Direction of Corporations with government participation). The person in charge of the “*Dirección Nacional de Empresas con participación del Estado*” acts as member of Telecom Argentina’s Board of Directors. See “Item 6—Directors, Senior Management and Employees—The Board of Directors.”

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

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

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

The effects of the global economic and financial crisis in recent years and the general weakness in the global economy may negatively affect emerging economies like Argentina’s. Although Argentina has experienced economic growth in recent years, and a deceleration in 2014, global financial instability may impact the Argentine economy and cause Argentina a slowdown of the growth rate or could lead to a recession with consequences in the trade and fiscal balances and in the unemployment index.

Several international economic, social and political factors could affect the global economy, such as, among other factors, volatility in commodities prices, exposure to changes in the oil prices, a growing concern regarding government deficits, governments’ abilities to honor their respective sovereign debts, social unrest and general uncertainty about the global economic recovery.

Moreover, the growth trend that the Argentine economy has experienced in the most recent years, which slowed down in 2014, might be negatively affected by several domestic factors such as an appreciation of the real exchange rate which could affect its competitiveness, thus reducing exports. Also, the reduction in the price of soybeans and other commodities and the increase of energy imports could result in diminishing or even reversing the country’s positive trade balance. All these factors, if coupled with an increase in capital outflows, might reduce consumption and private investment levels. In 2014 some of these effects were visible in Argentina. Additionally, abrupt changes in monetary and fiscal policies or foreign exchange regime could rapidly affect local economic output, while lack of appropriate levels of investment in certain economy sectors could reduce long term growth. Because access to the international financial market could be limited, an increase in public spending not correlated with an increase in public revenues could affect the country’s fiscal results and generate uncertainties that might affect the economy’s level of growth. In order to improve the trade balance and maintain BCRA reserves, the Argentine government may implement new measures to restrict imports of critical supplies for certain activities, that could have a negative effect on economic growth, including telecommunications sector due to its dependence on cutting edge technologies as well as handsets, especially regarding the deployment of 4G network.

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

Economic and legal conditions in Argentina remain uncertain which may affect our financial condition, results of operations and cash flows.

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

In the event of any economic, social or political crisis, companies in Argentina may face the risk of strikes, expropriation, nationalization, forced modification of existing contracts, and changes in taxation policies including tax increases and retroactive tax claims. In addition, Argentine courts have issued rulings changing the existing jurisprudence on labor matters and requiring companies to assume increasing responsibility for, and assumption of costs and risks associated with, using sub-contracted labor and the calculation of salaries, severance payments and social security contributions. Since we operate in a context in which the governing law and applicable regulations change frequently, it is difficult to predict whether our activities will be affected positively, negatively or at all by such changes.

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

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Argentina’s past fiscal problems and the incomplete restructuring of Argentina’s sovereign debt could negatively affect the macroeconomic environment in which we operate.

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

After Argentina’s default in 2001, the Government successfully restructured 92% of the debt through two debt exchange offers in 2005 and 2010. Nonetheless, a number of bondholders who held out from the exchange offers have initiated legal actions and obtained favorable rulings in the New York State Court of Appeals in the first and second instances. Argentina appealed to the U.S. Supreme Court, but in June 2014, the U.S. Supreme Court rejected Argentina’s appeal. This decision obliged Argentina to pay in cash the original debt plus accrued, punitive and compensatory interest on the original agreements.

One holdout bondholder sought to have its New York ruling recognized by the judiciary in Argentina, in order to enforce it against the sovereign debtor. In March 2014, the Argentine Supreme Court held that such ruling affected public policy principles of Argentine

Law and hence could not be recognized. Recognizing such a ruling would entail the circumvention, by the holdout bondholder, of the debt restructuring process arranged by Argentina, said the Court. Furthermore, the Court sustained that, under dire economic and financial conditions, the Argentine Republic had powers to limit, suspend or restructure debt payments to adequate them to its financial capabilities, the provision of public services and the fulfillment of basic public functions that cannot be abandoned.

In addition, in September 2014, the Argentine Congress enacted Law No. 26,984 which declares in the public interest the 2005-2010 restructuring of Argentina's sovereign debt, as well as the payments made to holders of the restructured debt under fair, equitable, legal and reasonable conditions. The objective of the law is to implement legal instruments to protect the payments to be made to all the holders of the restructured debt in order to safeguard Argentina's national public interest and the agreements reached in the framework of such restructuring.

As of today, based on that Law and the Argentine Supreme Court Argentina ruling, Argentina refuses to comply with the judgment of the New York State Court of Appeals. This situation prevents the proper payment process of the restructured debt under New York's, the United Kingdom's and Japanese legislation. Moreover a U.S. judge ruled Argentina to be in contempt of court. The situation could reduce the sources of funding and investment capital and could potentially impact the Government's ability to adopt measures that promote economic growth.

Additionally, in order to be able to repay its debt, the Argentine government may be required to continue adopting austere fiscal measures or additional extensive measures affecting private sector (such as higher taxes) that could adversely affect economic growth and the private consumer confidence.

As of June 30, 2014, according to the Ministry of Economy and Public Finance, the outstanding principal amount of Argentina's public debt was equivalent to US\$198.9 billion (of which approximately 68% was denominated in foreign currency) of which US\$11.9 billion were not tendered in the exchange offers and are still pending to be restructured (approximately 42.8% of Argentina's GDP).

There can be no assurance that any event of default by the Argentine government will not lead to a new recession, higher inflation, restrictions on Argentine companies to access financing and funds, limit the actions on the operations of Argentine companies in the international markets, higher unemployment and social unrest, which would negatively affect our financial condition, results of operations and cash flows. In addition, we have investments in sovereign Argentine bonds amounting to P\$258 million as of December 31, 2014, which could be restructured in a way that negatively affects their valuation and repayment terms. See Note 20 to our Consolidated Financial Statements.

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

The Argentine banking system has experienced several crisis in the past. Among those, the Argentine banking system collapsed in 2001 and 2002, when the Argentine government restricted bank withdrawals and required mandatory conversion of dollar deposits to pesos. From 2005 to 2007, a period of economic growth coupled with relative stability of the country's exchange rate and inflation resulted in the restoration of public confidence, a gradual accumulation of deposits in Argentine financial institutions, and improved liquidity of the financial system. However, since 2008 certain events like internal conflicts with certain sectors of the economy, the international financial crisis and finally, the increased regulation on the foreign exchange market, decreased depositors' confidence. In recent years, the Argentine financial system grew significantly with a marked increase in loans and private deposits, showing a recovery of credit activity. In spite of the fact that the financial system's deposits continue to grow, they are mostly demand on short-term time deposits and the sources of medium and long-term funding for financial institutions are currently limited. In 2014, private deposits in pesos rose by 31% annually, helped by the growth in saving accounts and current account deposits with a 33% increase, and followed by time deposits (28%). As a result, interest rates on placements (Private Badlar rate) performed at an average rate of 23%. Meanwhile, loans granted in pesos continued expanding but at a slower pace, in comparison with previous years, where personal loans

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and credit cards financing showed the highest increases. Despite improvements in stability since 2002 we cannot be certain that another collapse will not occur in the future.

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

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

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

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

The recent reform of the Argentine Civil and Commercial Code and the New Supply Law may materially impact our operations

The Argentine government has implemented extensive changes in laws and regulations which grant the Government increased power to intervene in commercial and civil activities such as the reform to the Argentine Civil and Commercial Code and the New Supply Law.

On October 1, 2014, the Argentine Congress passed Law No. 26,994 which approved the new Argentine Civil and Commercial Code (the "Code") which will take effect from August 1, 2015. The new code introduces significant changes to the Argentine legal system, abrogates several laws and modifies others, including the Argentine Corporations Law No. 19,550 and the Consumer Protection Law.

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

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

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

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

The reform to the Civil and Commercial Code has introduced extensive changes that will require judicial interpretation, and the ultimate consequences of the reform may be unpredictable. The Company is reviewing, among other things, contractual guidelines with our suppliers and customers (for example, bundling offers), as well as payments under our contracts denominated in foreign currency. See "Item 4—Information on the Company—Regulatory and Legal Framework—Legal Framework—New Federal Civil and Commercial Code."

In addition, Law No. 26,991 of Regulation of the Production and Consumer Relations came into force on October 2, 2014. This law materially modifies the provisions of the Supply Law No. 20,680. The new law provides that if economic agents undertake certain types of conduct (such as artificially increasing prices, accumulating raw material, unjustifiably restricting the sale of goods or services, etc.), the authorities will have wide powers to intervene issuing production and commercialization rules, fixing prices or revenue margins, granting subsidies, among others. The authorities will also have the power to impose penalties.

Management is currently analyzing the New Supply Law. As of the date of this Annual Report, we cannot predict the impact it may have on the Telecom Group. See "Item 4—Information on the Company—Regulatory and Legal Framework—Legal Framework—New Supply Law."

Risks Associated with Telecom and its Operations

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

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

On March 6, 2006, Telecom Argentina executed a Letter of Understanding (the "Letter of Understanding 2006") with the Argentine government pursuant to which Telecom Argentina would be permitted to raise certain rates and incorporate certain modifications to the regulatory framework. See "Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Rates."

The Letter of Understanding 2006 contemplated the signing and effectiveness of the Minutes of Agreement of the Renegotiation upon the fulfillment of certain necessary steps by the National government, which has never occurred.

The LAD, which came into force on December 19, 2014, sets up a new legal framework for telecommunication services. With respect to rates, the LAD under Title VI - Article 48, established the rule on prices and rates, which states that licensees of ICT services may set their prices which shall be fair and reasonable, to offset the exploitation costs and to tend to the efficient supply and reasonable margin of operation. However, essential and strategic public service ICT tariffs that the Law has declared in competition, the tariffs of services that are under the Universal Service regime, and those tariffs that were stated to be "of public interest" by AFTIC could be regulated by such regulatory body.

As of the date of this Annual Report, Management of the Company is assessing the implementation of alternative courses of action according to the new regulatory and legal framework.

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Additionally, we cannot predict the way the Argentine government or the Regulatory Bodies will interpret the new mechanism regarding price and tariff increases. If rate restrictions for regulated services continue in the fixed services or new restrictions are imposed in non-regulated services, our operating margins could be negatively affected.

We must comply with conditions in our license, and regulations and laws related thereto, and such compliance may at times be outside of our control.

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

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

Nortel owns all of Telecom Argentina's Class A Ordinary Shares (51% of our total capital stock) and approximately 7.64% of our Class B Ordinary Shares (3.74% of our total capital stock) which, in the aggregate, represents approximately 54.74% of our total capital stock as of the date of this Annual Report. Because Telecom Argentina owns 15,221,373 of its own Class B Shares as of the date of this Annual Report, Nortel's ownership of the outstanding shares amounts to 55.60% (51.80% consists of Class A Ordinary Shares and 3.80% of Class B Ordinary Shares). We are directly controlled by Nortel by virtue of Nortel's ownership of a majority of our capital stock; however, Nortel's controlling interest is subject to certain agreements among Sofora's shareholders and it is also subject to obligations and limitations defined by the Regulatory Authorities.

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

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

We compete with licensed provider groups, composed of, among others, independent fixed line service providers, mobile and cable operators, as well as individual licensees, some of which are affiliated with major service providers outside Argentina.

Internet and mobile services, which we expect will continue to account for an increasing percentage of our revenues in the future, are characterized by rapidly changing technology, evolving industry standards, changes in customer preferences and the frequent introduction of new services and products. To remain competitive in the fixed telecommunications market, we must invest in our fixed-line network and information technology. Specifically, in the Internet services market, we must constantly upgrade our access technology and software in order to increase the speed, embrace emerging transmission technologies and improve the commercial offers and the user experience. Also, to remain competitive in the mobile telecommunications market, we must continue to enhance our mobile networks by expanding our 3G network and deploying our recently acquired 4G network. See "Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Licenses granted as of December 31, 2014—*Spectrum*." Future technological developments may result in decreased customer demand for certain of our services or even render them obsolete. In addition, as new technologies develop, equipment may need to be replaced or upgraded or network

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

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

The deployment of our wireless network requires authorizations from municipalities to enable the installation of new sites throughout the country, which if not obtained in a timely manner and form, limit the growth of our business and affect the quality of services provided by Personal. If Personal is not successful in obtaining those permissions and if its competitors do obtain them, this could result in a competitive disadvantage for Personal.

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

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

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

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

The Auction Terms and Conditions established strict coverage and network deployment commitments which will require significant capital expenditures on the part of Personal in the near future.

The Auction Terms and Conditions established strict coverage and network deployment commitments which will require significant capital expenditures on the part of Personal. Certain external factors, some of which are described in this Risk Factor section, could significantly affect our ability to timely and properly meet the demanding commitments established by the Terms and Conditions.

In addition, through Resolution No. 83/14 the SC partially awarded to Personal the frequency bands integrating Lot 8 of the Spectrum Public Auction established by SC Resolution No. 38/14. The awarded frequency bands are the 1,730-1,745 MHz and 2,130-2,145 MHz bands, while the 713-723 MHz and 768-778 MHz bands have not been awarded. The payment for Lot 8 was made on account of the single and total price offered for the referred Lot.

Personal requested that the awarding of the frequency bands for the SCMA Services forming Lot 8 should be completed, and it made the corresponding reservation of rights, stating that the demanding commitments established by the Auction Terms and Conditions be computed as from the date in which the remaining frequency bands were awarded. If those frequency bands were not awarded to Personal, the Auction commitments should be redefined to establish which commitments correspond to the frequency bands which were effectively awarded. However, despite Personal

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defense of its position, we cannot provide assurance that the commitments will be modified to meet Personal's request. See "Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Licenses granted as of December 31, 2014—*Spectrum*."

The recently enacted Law No. 27,078 – "Argentine Digital Law" ("LAD") substantially modified the telecommunications regulatory framework, the impact is uncertain.

On December 19, 2014, Law No. 27,078 (the "Argentine Digital Law" or LAD) came into force. The new Law declares the development of the ICT and its associated resources to be in the public interest and incorporates major amendments to the regulatory legal framework applicable to the provision of telecommunication services in Argentina. The Law also vests to the PEN with broad powers for its regulation. As of the date of this Annual Report, is still pending the regulation to implement the provisions of the Law. See "Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Rates—Other Regulations—*Law No. 27,078 (LAD)*."

As a result, there is uncertainty regarding which will be the interpretations of the new regulatory framework for the Argentine telecommunications industry regarding price regulation, provision of infrastructure to other operators, sanctionary regime, asymmetric regulation for dominant operators, among others, as well as the operational, economic and financial impact that the LAD will have on the Telecom Group and its competitors in the following years.

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

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

future.

Personal complies with the international security standards established by the World Health Organization and Argentine regulations - which are similar- and mandatory for all Argentine mobile operators. Our mobile business may be harmed as a result of any future alleged health risk. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability. See “Item 4–Information on the Company–Regulatory and Legal Framework–Regulatory Framework–Rates–Other Regulations–Regulation applicable to mobile antenna radiation.”

Operational risks could adversely affect our reputation and our profitability.

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

Telecom’s suppliers of goods and services are contractually obliged to comply with laws and regulations (including tax, labor, social security, anti-corruption, money laundering standards, etc.). Additionally, our suppliers shall comply with a set of conduct standards such as the Code of Ethics, established by the Telecom Group as well as they have to require its compliance to its employees and subcontractors. Despite these legal safeguards and monitoring efforts made in the Telecom Group in relation to its suppliers, we cannot ensure that they will comply with all applicable standards. As a result, Telecom could be adversely affected in a monetary, criminal or reputational way, despite our contractual rights to claim for compensations for damages that they could cause to us.

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Telecom has Risk Management practices at the highest levels (including a Risk Management Committee) designed to detect, manage and monitor the evolution of these kinds of operational risks.

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

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

Nortel is our direct controlling shareholder. Sofora owns 100% of the common stock of Nortel, which represents 78.38% of the total capital stock of Nortel as of the date of this Annual Report. Sofora is 51% owned by Telecom Italia Group, 32% owned by W de Argentina–Inversiones and 17% owned by Fintech Telecom LLC.

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

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

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

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

On October 25, 2014, Telecom Italia S.p.A. announced the acceptance of an offer by Fintech to amend and restate the agreement announced on November 14, 2013. As a result: 1) on October 29, 2014 Telecom Italia International N.V. transferred 17% of the capital stock of Sofora to Fintech; 2) it was confirmed that the transfer of the 51% controlling interest in Sofora is subject to the prior regulatory approval of the SC and closing of the transaction will not occur until such approval is obtained. It is expected that the transfer of such controlling interest will take place within the next two and a half years.

If the transaction is consummated, Fintech will have the ability to exert significant control over us, including the right to nominate, through our parent companies, Sofora and Nortel, the majority of our directors pursuant to the terms of the Shareholders’ Agreement. See “Item 7–Major Shareholder and Related Party Transactions–Shareholders of Nortel.”

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

In Argentina, labor organizations have substantial support and have considerable political influence. In recent years, the demands of our labor organizations have increased mainly as a result of

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the increase in the cost of living, which was affected by increased inflation, higher tax pressure over salaries and the consequent decline in the population’s purchasing power.

If labor organization claims continue or are sustained, this could result in increased costs, greater conflict in the negotiation process and strikes (including general strikes and strikes of the company employees and the contractors and subcontractors’ employees) that may adversely affect our operations. See “Item 6–Directors, Senior Management and Employees–Employees and Labor Relations.”

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

The Argentine government has in the past and may in the future promulgate laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees (including higher levels of severance

payments to former employees dismissed without proper cause). We cannot guarantee that the Government will not adopt measures, as it did in the past, which will increase salaries or require us to provide additional benefits, which would increase our costs and, among other things, in the absence of increases of regulated rates in our fixed services segments, continue reducing our profit margins.

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

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

The Regulatory Bodies may impose increased penalties on Telecom Argentina and Personal, which could result, in some circumstances, in the revocation of our licenses.

The Regulatory Bodies have increased the number of cases and the amount of fines applied to Telecom Argentina mainly in connection with alleged delays in repairing defective fixed lines and/or installing new fixed lines. Additionally, the Regulatory Bodies have initiated various administrative procedures against Telecom Argentina and Personal related to temporary interruptions of services caused by various incidents. Lately the authorities have threatened Personal with the applications of fines and the obligation to pay compensation to the clients involved. In many of these cases, we believe that the Authorities are misinterpreting the legal framework of our telecommunication license or exceeding the legal terms of the service provision. Neither final administrative nor judicial decisions on these cases have not been made yet.

Also, new regulations such as SC Resolution No. 5/13 regarding the quality of telecommunication services could further increase penalties imposed by the Regulatory Bodies. SC Resolution No. 5/13, issued in July 2013, has set new benchmarks for the quality of services provided by telecommunications operators, including Telecom Argentina and Personal, setting standards that are high as compared to international standards, especially, considering the difficulties in obtaining municipal authorization to install antennas in the mobile business (See "Item 4-Information on the Company-The Business-Personal Mobile Services and Nucleo Mobile Services- Mobile Telecommunication Services in Argentina-Personal-Personal's Network and Equipment"). This resolution has a gradual implementation schedule. Telecom Argentina, Personal and other telecommunications operators have submitted technical comments for a review of the standards. However, if the technical comments are not taken into account, compliance with the standards could be difficult which may result in penalties for telecommunications operators, including Telecom Argentina and Personal, affecting our ability to execute our business plan since they could involve limitations to acquire new clients or restrictions to apply rates increases, among others. See "Item 4-Information on the Company-Regulatory and Legal Framework- Regulatory Framework- SC Resolution No. 5/13."

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Additionally, according to the Auction Terms and Conditions for the awarding of frequency bands approved by SC Resolution No. 38/14 for mobile operators, repeated or persistent breaches of obligations related to quality indicators of services provided under the terms of the Regulation for the Quality of Telecommunications Services approved by SC Resolution No. 5/13, qualifies as one of the circumstances under which the authorization to use radio electric spectrum (as defined in the Auction) will be revocable.

We cannot foresee whether the Regulatory Bodies based on the increased number of administrative complaints will seek to apply significant sanctions to Telecom Argentina or Telecom Personal, including the revocation of some of our licenses, any of which could have an adverse effect on Telecom Argentina or Personal's operations, financial situation, results of operations and cash flows. See "Item 4-Information on the Company-Regulatory and Legal Framework-Regulatory Framework-Administrative complaint in connection with the service cuts affecting Telecom Argentina and Personal's customers."

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

We are party to a number of legal proceedings, some of which have been pending for several years. We cannot be certain that these claims will be resolved in our favor. Responding to the demands of litigation may divert Management's time and attention and financial resources. As of December 31, 2014, the Company recorded provisions that it estimates are sufficient to cover those contingencies considered probable. See Notes 2 and 17 to our Consolidated Financial Statements.

In recent years, certain changes in the treatment of employment matters under Argentine law have created new incentives for individuals to pursue employment-related litigation in Argentine courts.

Moreover, on May 21, 2014 the National Labor Court of Appeals ruled that nominal annual interest rate for personal loans with free use of the Argentine National Bank for 49 to 60 month term (currently 3% per month), shall be applied for matters under the Buenos Aires City Labor Courts, including those with pending sentences, instead of the monthly average interest rate for loans of the Argentine National Bank (currently 2.055% per month). This new disposition represents an increase in interest rate that was reflected prospectively in the estimation of the labor claims provisions. An additional risk exists since the court might intend to apply such rate retroactively to labor credits not yet acknowledged by a court sentence, which could result also in an increase of our financial costs. Although, there are solid legal arguments against the retroactive application of the new interest rate, if a disadvantageous resolution prevails, we estimate that it will not have a significant impact on the Group's financial position, result of operations and cash flows.

The Company is also exposed to claims of employees of contractors and subcontractors and commercial agents claiming direct or indirect responsibility of Telecom based on a broad interpretation of the rules of labor law.

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

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

Personal maintains agreements with VAS suppliers. Amounts billed to its customers resulting from these agreements are recorded as Personal's revenues while commissions paid to VAS suppliers as a percentage of services billed to customers are recorded as expenses (Costs of VAS). Personal's customers can subscribe to VAS services directly from the VAS supplier, who reports to Personal the services it provides to their customers. During 2013 and 2014 there was a significant increase of VAS revenues. Customers and consumers' trade unions brought up different claims against Personal regarding these services. Although Personal has taken actions in connection with the VAS suppliers in order to reduce risks regarding the provision of non-authorized services to its customers, we cannot assure you that new and significant claims regarding VAS services will not be presented in the future.

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By the end of 2014, Personal has started the implementation of a new system to monitor the customer subscriptions to VAS, which is expected to be completed in year 2015.

Recently, there has been a growing trend of sanctions imposed by the Regulatory Bodies on Telecom Argentina for technical reasons, mainly related to the delay in repairing defective lines and/or installing new lines. In addition, there have been an increased number of sanctions on Telecom Argentina and Personal relating to service failures. Although penalties are appealed in the administrative stage, if the appeals are not solved in our favor in administrative or judicial stage for amounts over those recorded, or the penalties imposed by the CNC are increased in number and /or cost, it could have an adverse effect on our financial situation, results of our operations and cash flows.

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

Telecom Argentina and Personal may face increased risk of employment, commercial, regulatory, tax and customers' proceedings, among others. If this occurs, we cannot guarantee that it will not have an adverse effect on our results of operations, financial condition and cash flows, despite the provisions that the Company has recorded to cover from these matters. See "Item 8—Financial Information—Legal Proceedings."

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

On June 2, 2014 Law No. 26,940 *Ley de Promoción del Trabajo Registrado y Prevención del Fraude Laboral* was published in the Official Gazette. The new norm, among other topics, establishes a Public Record of Employers with Labor Sanctions ("the Record") and defines a series of labor and social security infringements by which an employer shall be included in said record.

The employers included in the Record shall be subject to different types of sanctions, such as: the inability to access public programs, benefits or subsidies, to access public banking credit, or to enter into contracts and licenses of property owned by the National government, or to participate in the awarding of concessions of public services and licenses. In turn, the employers who are repeat offenders for the same infringement for which they were added to the Record within a 3-year period after the first final sanction decision, shall not be able to deduct from the Income Tax the expenses related to their employees while the employers are included in the Record. This new regulation applies both to Telecom and its contractors and subcontractors, who could initiate claims to Telecom for direct or indirect responsibility. Depending on the way the Labor Ministry applies the new Law, the effects of this new labor regulation for the companies based in Argentina, including Telecom may vary and cannot be predicted.

The enforcement of regulations aimed at protecting consumers, including the new regime of conflict resolutions concerning consumer relations, may have an adverse effect on us.

The Consumer Protection Law No. 24,240 (the "Consumer Protection Law") establishes a series of principles and rules for the protection of consumers and users. It states a sanctionary proceeding which foresees a conciliatory process before imposing any sanctions. The Consumer Protection Law applies to the telecommunications industry and to any other industry in which consumers and users are involved.

Telecom Argentina and Personal have received several customer complaints in connection with the provisions of the Consumer Protection Law that were filed with different law enforcement bodies

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(national, provincial or municipal). In the last few years there was also an increase in legal actions brought by consumer associations. See "Item 8—Financial Information—Legal Proceedings—General Proceedings—Consumer Trade Union Proceedings."

On September 19, 2014, the Argentine Congress passed Law No. 26,993 which approved a new Prior Mediation Service for Consumer Relations Conflict (COPREC). The purpose of this initiative is to give effective solutions to the consumers' problems, by creating fast track proceedings.

Law No. 26,993 introduces two essential changes: i) it establishes that fines imposed on the basis of Consumer Protection Law must be previously paid in order to be appealed and judicially challenged, and ii) it creates a compensation system for consumers, consisting of a mediation phase, and an administrative and/or judicial process that takes place before the Auditor of Consumer Relations or the Federal Justice for Consumers' Relations. See "Item 4—Information on the Company—Regulatory and Legal Framework—Legal Framework—New Conflict Resolution Regime for Consumer Relations Matters." The new Regime is currently being implemented. As of the date of this Annual Report, we cannot foresee its effects on the Telecom Group.

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

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

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

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

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

In addition, starting in February 2012 all import operations of goods and services must be filed and approved in advance by AFIP. Such procedure could also negatively affect our supply chain, generating delays in the provision of raw materials, equipment and handsets that are imported by our suppliers and/ or us. In the last case, the Company assumes trade payables in foreign currency with suppliers abroad, which require strict and complex approval procedures to access to foreign exchange market to make payments abroad. Moreover, as a result of the payment of the frequency bands

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awarded to Personal in the Public Auction at the end of 2014, the Company reduced significantly the financial assets in foreign currency that it maintained abroad, thus reducing our capacity to use those assets to make direct payments to foreign suppliers and shareholders, if needed.

Operations of our subsidiary Núcleo could be affected depending on the way the Paraguayan government calls for a public auction for additional frequency bands to provide mobile services through 4G technology.

The provision of new mobile services through 4G technology will require the awarding of additional frequency bands in Paraguay (Band 1,700 MHz or AWS). As of the date of this Annual Report, there is no formal process initiated for this purpose. Neither a schedule for the frequency bands auction nor the conditions that the authorities will require to participate in the auction have been published. If the auction terms and conditions do not act as an incentive for competition and do not help to reduce the current concentration of the mobile telecommunication market (see “Item 4–Information on the Company–The Business–Competition.”) we cannot assure that the operational, economic and financial situation of Núcleo will not be negatively affected.

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

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

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

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ITEM 4. INFORMATION ON THE COMPANY

INTRODUCTION

The Company

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

As of December 31, 2014, we had approximately 4.1 million fixed lines in service. This is equivalent to approximately 19 lines in service per 100 inhabitants in the Northern Region of Argentina and 370 lines in service per employee.

As of December 31, 2014, our Internet business reached approximately 1.8 million Accesses and our mobile business had approximately 19.6 million subscribers in Argentina and approximately 2.5 million subscribers in Paraguay.

Business Strategy

In the Telecom Group we focus on growth and profitability with the objective of generating value for our customers, investors, suppliers, employees and in a wider sense, for the communities we operate in. We are aware of the relevance of the services we commercialize in an era where connectivity and timely access to information are essential to improve people’s quality of life, their education and the improvement of economic productivity.

In order to promote the achievement of its goals in a sustainable and consistent manner, the Telecom Group develops business plans according to the telecommunications market and macroeconomic environment and invests in products and services innovation aimed at improving its customers’ user experience by adding content, interactivity and convenience to communication.

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

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

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

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

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