

TELECOM ARGENTINA SA
Form 6-K
May 17, 2013

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 May 2013

Commission File Number: 001-13464

Telecom Argentina S.A.

(Translation of registrant's name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

(Address of principal executive offices)

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Form 20-F Form 40-F

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

Yes No

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AS OF MARCH 31, 2013

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2013 AND 2012

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TELECOM ARGENTINA S.A.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013

(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 March 31, 2013 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

2. Telecom Group's activities for the three-month periods ended March 31, 2013 (1Q13) and 2012 (1Q12)

Total revenues and other income for 1Q13 amounted to \$6,073 (+18% vs. 1Q12), operating costs including depreciations, amortizations and gain on disposal of PP&E amounted to \$4,958 (+21% vs. 1Q12), operating income before depreciation and amortization amounted to \$1,799 representing 30% of consolidated revenues (+9% vs. 1Q12), operating income amounted to \$1,115 (+8% vs. 1Q12) and net income amounted to \$813 (+15% vs. 1Q12). Net income attributable to Telecom Argentina amounted to \$802 in 1Q13 (+15% vs. 1Q12).

| | 1Q13 | 1Q12 | Variation | |
|--|--------------|--------------|------------|-----------|
| | | | \$ | % |
| Revenues | 6,064 | 5,126 | 938 | 18 |
| Other income | 9 | 4 | 5 | 125 |
| Operating costs without depreciation and amortization | (4,274) | (3,483) | (791) | 23 |
| Operating income before depreciation and amortization | 1,799 | 1,647 | 152 | 9 |
| Depreciation and amortization | (691) | (615) | (76) | 12 |
| Gain on disposal of PP&E | 7 | 1 | 6 | 600 |
| Operating income | 1,115 | 1,033 | 82 | 8 |
| Financial results, net | 135 | 61 | 74 | 121 |
| Net income before income tax expense | 1,250 | 1,094 | 156 | 14 |
| Income tax expense | (437) | (386) | (51) | 13 |
| Net income | 813 | 708 | 105 | 15 |
| Attributable to: | | | | |
| Telecom Argentina (Controlling Company) | 802 | 698 | 104 | 15 |
| Non-controlling interest | 11 | 10 | 1 | 10 |
| | 813 | 708 | 105 | 15 |
| Basic and diluted earnings per share attributable to Telecom Argentina (in pesos) | 0.81 | 0.71 | | |

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Total revenues and other income

During 1Q13 consolidated total revenues increased 18% (+\$938 vs. 1Q12) amounting to \$6,064 mainly fueled by the Broadband, data transmission and mobile businesses, while consolidated other income increased 125% (+\$5 vs. 1Q12), mainly due to penalties imposed to vendors in the Fixed Services segment.

| | 1Q13 | 1Q12 | Variation | |
|--|--------------|--------------|------------|-----------|
| | | | \$ | % |
| <u>Services</u> | | | | |
| Voice Retail | 629 | 607 | 22 | 4 |
| Voice Wholesale | 185 | 175 | 10 | 6 |
| Internet | 575 | 458 | 117 | 26 |
| Data | 213 | 163 | 50 | 31 |
| Subtotal fixed services | 1,602 | 1,403 | 199 | 14 |
| Voice Retail | 1,214 | 1,077 | 137 | 13 |
| Voice Wholesale | 448 | 425 | 23 | 5 |
| Internet | 391 | 276 | 115 | 42 |
| Data | 1,615 | 1,323 | 292 | 22 |
| Subtotal Personal mobile services | 3,668 | 3,101 | 567 | 18 |
| Voice Retail | 87 | 86 | 1 | 1 |
| Voice Wholesale | 22 | 18 | 4 | 22 |
| Internet | 62 | 26 | 36 | 138 |
| Data | 78 | 63 | 15 | 24 |
| Subtotal Núcleo mobile services | 249 | 193 | 56 | 29 |
| Total services revenues | 5,519 | 4,697 | 822 | 18 |
| <u>Equipment</u> | | | | |
| Fixed services | 14 | 18 | (4) | (22) |
| Personal mobile services | 518 | 405 | 113 | 28 |
| Núcleo mobile services | 13 | 6 | 7 | 117 |
| Total equipment revenues | 545 | 429 | 116 | 27 |
| Total revenues | 6,064 | 5,126 | 938 | 18 |

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013

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Services revenues amounted to \$5,519 (+18% vs. 1Q12) and represented 91% of consolidated revenues (similar to 1Q12). Equipment revenues increased 27%, amounting to \$545 and represented 9% of consolidated revenues (similar to 1Q12).

Fixed services

During 1Q13, services revenues generated by this segment amounted to \$1,602, +\$199 or 14% vs. 1Q12, where Internet revenues have grown the most (+\$117 or 26% vs. 1Q12), followed by data transmission (+\$50 or 31% vs. 1Q12) and voice retail services (+\$22 or 4% vs. 1Q12).

Voice

Voice retail revenues amounted to \$629 in 1Q13 (+4% vs. 1Q12). The results of this line of business are still affected by frozen tariffs of regulated services. Revenues from regulated services reached approximately 34% of the segment revenues in 1Q13 (vs. 39% in 1Q12).

Monthly Charges and Supplementary Services increased \$17 or 7% vs. 1Q12, to \$269, as a consequence of an increase in supplementary services (not regulated), mainly due to an increase of their prices and of the subscriber base.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$329, (+\$13 or 4% vs. 1Q12), mainly due to the increase of domestic plans and the positive effect of the flat rate packs sales. In relative terms, revenues from local measured service increased the most with 7% vs. 1Q12 and followed by DLD revenues (+5% vs. 1Q12).

Voice wholesale revenues (including fixed and mobile interconnection revenues, together with the revenues generated by the subsidiary Telecom USA amounting to \$15) amounted to \$185 in 1Q13 (+6% vs. 1Q12). Interconnection fixed and mobile revenues amounted to \$113 (a slightly increase vs. 1Q12 as a result of an increase in the domestic traffic). The other wholesale revenues amounted to \$72 in 1Q13 (+18% vs. 1Q12).

Internet

Internet revenues amounted to \$575 (+\$117 or 26% vs. 1Q12) mainly due to the expansion of the Broadband service (+4% of customers vs. 1Q12) and an increase in average prices resulting in an improvement in the Average Monthly Revenue per User (ARPU), that amounted to \$114.9 pesos in 1Q13 vs. \$95.6 pesos in 1Q12). As of March 31, 2013, Telecom Argentina reached approximately 1,626,000 ADSL customers. These connections represent approximately 40% of Telecom Argentina s fixed lines in service (vs. 38% in 1Q12).

Internet revenues represent 10% of consolidated revenues (similar to 1Q12) and 36% of fixed services segment revenues (vs. 33% in 1Q12).

Data

Data transmission revenues amounted to \$213 (+\$50 vs. 1Q12), where the focus was to strengthen Telecom Argentina s position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was mainly due to the growth of Integra and VPN IP services (private data networks services that replaces the point to point services).

Personal Mobile Services

During 1Q13, total services revenues amounted to \$3,668, +\$567 or 18% vs. 1Q12, being the principal business segment in revenues terms (60% of consolidated revenues in 1Q13 and 1Q12). Personal reached 19.1 million subscribers in Argentina (+3% vs. 1Q12) thus improving its market position related to subscriber s base and maintaining the leadership in revenues in the mobile industry. Approximately 67% of the subscriber base

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is prepaid subscribers and 33% is postpaid subscribers (including Cuentas Claras plans and Mobile Internet dongles).

Voice

Voice retail revenues amounted to \$1,214 in 1Q13 (+13% vs. 1Q12). The increase was mainly due to the increase in the lines billed, the increase in the average price of different plans and an increase in the subscriber base, specially Cuentas Claras subscribers.

Voice wholesale revenues amounted to \$448 in 1Q13 (+5% vs. 1Q12). The increase was mainly due to higher traffic in SMS and GPRS roaming in the national segment and an increase in the GPRS traffic in the international segment.

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Internet

Internet revenues amounted to \$391 (+\$115 or 42% vs. 1Q12), 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 and the migration of existing ones to higher value plans.

Data

Mobile data services revenues amounted to \$1,615 (+292 or 22% vs. 1Q12). This increase was mainly due to the constant SMS sales increase as a result of several campaigns launched by Personal and the growth of the offers of SMS consumption, which represented an inter-annual increase of \$252 vs. 1Q12. This increase was reflected both in prepaid or postpaid customers and is mainly due to the increase in the subscribers base.

As a consequence of the voice traffic increase and the VAS use (Internet and data), ARPU increased to \$62.1 pesos in 1Q13 (vs. \$54.9 pesos or +13% in 1Q12).

VAS revenues (data and Internet) amounted to \$2,006 (+28% vs. 1Q12) and represented 55% of Mobile Services Personal services revenues (vs. 52% in 1Q12).

Núcleo Mobile Services

This segment generated revenues equivalent to \$249 during 1Q13 (+\$56 or 29% vs. 1Q12) mainly due to the increase in the subscriber base (+6%), the appreciation of the Guaraní respect to the Argentine peso (+20% inter-annual) generating an effect in revenues conversion and the increase of Mobile Internet revenues (+138% vs. 1Q12) related to the increase in the subscriber base. As of March 31, 2013, Núcleo's subscriber base reached 2.3 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 81% and 19%, respectively in 1Q13.

VAS revenues (data and Internet) amounted to \$140 (+57% vs. 1Q12) and represented 56% of Núcleo Mobile Services segment services revenues (vs. 46% in 1Q12).

Equipment

Revenues from equipment amounted to \$545, +\$116 or 27% vs. 1Q12. This increase is mainly related to the Personal Mobile services segment with an increase of \$113 vs. 1Q12. The increase was mainly due to lower handsets sold (-25% vs. 1Q12) and an increase in their average prices (+68% vs. 1Q12). This situation was mainly due to a reduction of subsidy policy, the increase in average prices related to higher-value handsets demand and the business strategy to attract high-value subscribers. In the Núcleo Mobile Services segment the increase was mainly due to a higher number of handsets sold as a result of the launch of targeted promotions to capture new subscribers and retaining existing ones, associated to the effect of the appreciation of the Guaraní respect to the Argentine peso.

Operating costs

Consolidated operating costs including depreciation, amortization and gain on disposal of PP&E amounted to \$4,958 in 1Q13, which represented an increase of \$861 or +21% vs. 1Q12. 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 Group in Argentina, the increase in the average rates of the turnover tax and the effect of the appreciation of the Guaraní (+20% inter-annual) respect to the Argentine peso, affecting the operations in Paraguay.

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| | 1Q13 | 1Q12 | Variation | |
|--|----------------|----------------|--------------|-----------|
| | | | \$ | % |
| Employee benefit expenses and severance payments | (868) | (677) | (191) | 28 |
| Interconnection costs and other telecommunication charges | (484) | (408) | (76) | 19 |
| Fees for services, maintenance, materials and supplies | (556) | (477) | (79) | 17 |
| Taxes and fees with the Regulatory Authority | (602) | (462) | (140) | 30 |
| Commissions | (605) | (525) | (80) | 15 |
| Agent commissions capitalized as SAC | 103 | 76 | 27 | 36 |
| Cost of equipment and handsets | (661) | (543) | (118) | 22 |
| Cost of equipment and handsets capitalized as SAC | 103 | 106 | (3) | (3) |
| Advertising | (154) | (164) | 10 | (6) |
| Cost of VAS | (131) | (60) | (71) | 118 |
| Provisions | (40) | (40) | | |
| Bad debt expenses | (93) | (69) | (24) | 35 |
| Other operating expenses | (286) | (240) | (46) | 19 |
| Operating income before depreciation and amortization | (4,274) | (3,483) | (791) | 23 |
| Depreciation of PP&E | (467) | (426) | (41) | 10 |
| Amortization of SAC and service connection costs | (219) | (183) | (36) | 20 |
| Amortization of other intangible assets | (5) | (6) | 1 | (17) |
| Gain on disposal of PP&E | 7 | 1 | 6 | 600 |
| Total operating costs | (4,958) | (4,097) | (861) | 21 |

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The costs breakdown is as follows:

Employee benefit expenses and severance payments

Employee benefit expenses and severance payments amounted to \$868 (+\$191 or 28% vs. 1Q12). The increase was mainly due to an increase in the headcount and 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 16,752 by the end of 1Q13 (+164 vs. 1Q12 including temporary employees), lines in service per employee reached 371 in the Fixed Services segment (slightly lower than 1Q12), subscribers per employee reached 3,642 in the Personal Mobile Services segment (-2% vs. 1Q12) and subscribers per employee reached 5.354 (+5% vs. 1Q12) in the Núcleo Mobile Services segment.

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 \$484 (+\$76 or 19% vs. 1Q12) mainly due to higher traffic volume.

Fees for services, maintenance, materials and supplies

Fees for services, maintenance, materials and supplies amounted to \$556 (+\$79 or 17% vs. 1Q12), mainly due to higher maintenance costs of radio bases and systems in the mobile services segments as a result of an increase of system licenses and higher costs of technical assistance of radio bases. 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, IDC, municipal and other taxes) amounted to \$602 (+30% vs. 1Q12), influenced mainly by the increase in revenues of fixed and mobile services, higher equipment sales and higher turnover taxes in Autonomous City of Buenos Aires, Córdoba, Chaco, Jujuy and Mendoza.

Commissions

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$605 (+\$80 or 15% vs. 1Q12), mainly due to the increase in commercial agents' commissions (associated to higher revenues) as a result of higher customer's acquisition and retention, higher cards sales, and prepaid recharges and the increase in collections.

In the other hand, agent commissions capitalized as SAC amounted to \$103, +\$27 or 36% vs. 1Q12 and is directly related to the increase in the postpaid subscribers' base in the Personal Mobile Services segment and the increase in the commissions prices.

Cost of equipment and handsets

Cost of equipments and handsets amounted to \$661 (+\$118 or 22% vs. 1Q12) mainly due to an increase in the average unit cost of sales (+58% vs. 1Q12) and to a decrease in the handsets sold (-25% vs. 1Q12) in the Personal Mobile Services segment.

In the other hand, SAC deferred costs from handsets sold to postpaid and Cuentas Claras subscribers amounted to \$103, -\$3 or -3% vs. 1Q12.

Advertising

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Advertising amounted to \$154 (-\$10 or -6% vs. 1Q12), mainly due to a reduction in the commercial campaigns of Personal as compared to 1Q12.

Cost of VAS

Cost of VAS amounted to \$131 (+\$71 vs. 1Q12), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the SMS service) as a consequence of several campaigns launched by Personal and a higher offer oriented towards SMS usage.

Provisions

Provisions totaled \$40, both in 1Q13 and 1Q12.

Bad debt expenses

Bad debt expenses amounted to \$93 (+\$24 vs. 1Q12), representing approximately 1.5% and 1.3% of the consolidated revenues in 1Q13 and 1Q12, respectively. The increase is observed mainly in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013

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Other operating costs

Other operating costs amounted to \$286 (+\$46 vs. 1Q12). The increase was mainly due to higher prices on related services, especially in transportation, freight and travel expenses, among others, in the operations in Argentina; and the increase of rent prices, as a result of new agreements and the renegotiation of some of the existing ones.

Operating income before depreciation and amortization

Operating income before depreciation and amortization amounted to \$1,799 (+\$152 or 9% vs. 1Q12), representing 30% of consolidated revenues in 1Q13 vs. 32% in 1Q12. This growth was mainly fueled by the Mobile business in Argentina and Paraguay (+\$117 or 10% vs. 1Q12).

Depreciation and amortization

Depreciation and amortization amounted to \$691 (+\$76 or 12% vs. 1Q12). The increase in PP&E depreciation amounted to \$41, in amortization of SAC and service connection costs \$36 and a reduction in amortization of other intangible assets of \$1.

Gain on disposal of PP&E

The gain amounted to \$7, +\$6 vs. 1Q12 and was mainly due to the sale of vehicles in the Fixed Services segment.

Operating income

Operating income amounted to \$1,115 in 1Q13 (+\$82 or +8% vs. 1Q12). The margin over consolidated revenues represented 18% in 1Q13 (vs. 20% in 1Q12). Personal Mobile Services segment shows the higher increase (+\$60 vs. 1Q12).

Financial results, net

Financial results, net resulted in a net gain of \$135, representing an improvement of \$74 vs. 1Q12. This was mainly due to higher financial interest on cash equivalents and investments (+\$30 vs. 1Q12) and a lower financial cost for provisions (\$15 vs. 1Q12).

Net income

Telecom Argentina reached a net income of \$813 in 1Q13, +\$105 or +15% when compared to 1Q12. Net income attributable to Telecom Argentina amounted to \$802 in 1Q13, +\$104 or +15% as compared to 1Q12.

Net financial assets

As of March 31, 2013, Net financial assets (Cash and Cash Equivalents plus financial investments minus Financial debt) amounted to \$4,020, showing an increase of \$1,038 as compared to March 31, 2012 (amounting to \$2,982), mainly due to an increase in the generation of cash from operating activities of the Telecom Group that was partially offset by the cash dividends paid to Telecom Argentina's shareholders in May 2012 (amounting to \$807). The Fixed Services segment has net financial assets of \$999, the Personal Mobile Services segment has net financial assets

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of \$3,118 and the Núcleo Mobile Services segment has net financial debt of \$97.

Capital expenditures (CAPEX)

CAPEX composition for 1Q13 and 1Q12 is as follows:

| | In millions of \$ | | % of participation | | Variation | |
|--------------------------|-------------------|------------|--------------------|-------------|-----------|----------|
| | 1Q13 | 1Q12 | 1Q13 | 1Q12 | \$ | % |
| Fixed Services | 284 | 298 | 38% | 43% | (14) | (5) |
| Personal Mobile Services | 393 | 349 | 53% | 51% | 44 | 13 |
| Núcleo Mobile Services | 64 | 43 | 9% | 6% | 21 | 49 |
| Total CAPEX | 741 | 690 | 100% | 100% | 51 | 7 |

PP&E CAPEX amounted to \$519 and intangible assets CAPEX amounted to \$222 in 1Q13, while in 1Q12 amounted to \$492 and \$198, respectively.

In relative terms, CAPEX represented 12% of consolidated revenues in 1Q13 (13% in 1Q12), and were intended mainly for the External wiring and network access equipment, Transmission and Switching equipment, Computer equipment and SAC.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013

V

TELECOM ARGENTINA S.A.

PP&E and intangible assets additions (CAPEX plus materials additions) for 1Q13 and 1Q12 are as follows:

| | In millions of \$ | | % of participation | | Variation | |
|--------------------------|-------------------|------------|--------------------|-------------|-----------|-----------|
| | 1Q13 | 1Q12 | 1Q13 | 1Q12 | \$ | % |
| Fixed Services | 313 | 355 | 39% | 48% | (42) | (12) |
| Personal Mobile Services | 396 | 350 | 50% | 47% | 46 | 13 |
| Núcleo Mobile Services | 84 | 38 | 11% | 5% | 46 | 121 |
| Total additions | 793 | 743 | 100% | 100% | 50 | 10 |

Main PP&E CAPEX projects are related to the expansion of fixed broadband services in order to improve transmission and speed available to customers; deployment of 3G services to support the growth of mobile Internet 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.

Relevant matters

1. Resolutions of the Annual and Extraordinary Shareholders Meeting of Personal

Personal s shareholders, at their meeting held on April 10, 2013, approved, among other items, the Annual Report and financial statements as of December 31, 2012 and the allocation of Retained Earnings as of December 31, 2012 as follows: (i) the constitution of a Special Reserve for implementation of IFRS by \$405, (ii) the constitution of a voluntary reserve for the finance of working capital and capital expenditures in Argentina by \$233 and (iii) the allocation of \$1,950 to the reserve for future cash dividends. The shareholders also approved the delegation of authority in Personal s Board of Directors to determine the amount, time, terms and conditions to allocate the reserve for future cash dividends and the reserve for the finance of working capital and capital expenditures in Argentina.

2. Resolutions of the Annual General Shareholders Meeting of Telecom Argentina

Telecom Argentina s shareholders, at their meeting held on April 23, 2013, resolved, among other items: (a) the approval of Telecom Argentina s Annual Report and financial statements as of December 31, 2012; (b) to adjourn the session until May 21, 2013 to consider the allocation of Telecom Argentina s Retained Earnings as of December 31, 2012; (c) to set at eleven the number of regular and alternate directors of Telecom Argentina for a three year term, and to set at five the number of regular and alternate members of the Supervisory Committee of Telecom Argentina for a one year term, and to appoint the persons who will occupy those positions.

3. Summary of comparative consolidated statements of financial position

| | March 31, | | |
|--------------------|-----------|-------|-------|
| | 2013 | 2012 | 2011 |
| Current assets | 7,486 | 5,826 | 4,119 |
| Non-current assets | 11,126 | 9,989 | 8,760 |

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| | | | |
|--|---------------|---------------|---------------|
| Total assets | 18,612 | 15,815 | 12,879 |
| Current liabilities | 5,830 | 5,259 | 4,487 |
| Non-current liabilities | 1,781 | 1,681 | 1,194 |
| Total liabilities | 7,611 | 6,940 | 5,681 |
| Equity attributable to Telecom Argentina (Controlling Company) | 10,801 | 8,736 | 7,070 |
| Equity attributable non-controlling interest | 200 | 139 | 128 |
| Total Equity | 11,001 | 8,875 | 7,198 |
| Total liabilities and equity | 18,612 | 15,815 | 12,879 |

4. *Summary of comparative consolidated income statements*

| | 1Q13 | 1Q12 | 1Q11 |
|---|--------------|--------------|-------------|
| Revenues and other income | 6,073 | 5,130 | 4,149 |
| Operating costs | (4,958) | (4,097) | (3,191) |
| Operating income | 1,115 | 1,033 | 958 |
| Financial results, net | 135 | 61 | 19 |
| Net income before income tax expense | 1,250 | 1,094 | 977 |
| Income tax expense | (437) | (386) | (337) |
| Net income | 813 | 708 | 640 |
| Other comprehensive income, net of tax | 63 | 25 | 47 |
| Total comprehensive income | 876 | 733 | 687 |
| Attributable to Telecom Argentina (Controlling Company) | 842 | 715 | 666 |
| Attributable to non-controlling interest | 34 | 18 | 21 |

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5. Statistical data (in physical units)

Fixed services

Voice and data services

| | 1Q13 | | 1Q12 | | 1Q11 | | 1Q10 | | 1Q09 | |
|--|-------------|----------|-------------|----------|-------------|----------|-------------|---------|-------------|---------|
| | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |
| Equipment lines | 3,807,737 | 1,551 | 3,799,811 | 2,899 | 3,800,594 | (34,973) | 3,843,809 | (8,350) | 3,849,385 | 1,016 |
| NGN lines | 1,092,483 | 48,115 | 955,312 | (40,306) | 880,338 | 26,928 | 754,660 | 11,776 | 605,156 | 10,896 |
| Installed lines (a) | 4,900,220 | 49,666 | 4,755,123 | (37,407) | 4,680,932 | (8,045) | 4,598,469 | 3,426 | 4,454,541 | 11,912 |
| Lines in service (b) | 4,109,286 | (18,572) | 4,138,370 | (2,765) | 4,110,304 | 3,222 | 4,057,953 | (2,307) | 4,008,421 | (1,635) |
| Customers lines (c) | 4,027,422 | (17,735) | 4,054,491 | (2,343) | 4,024,236 | 5,177 | 3,966,266 | (1,161) | 3,915,573 | 254 |
| Public phones installed | 35,874 | (939) | 39,158 | (921) | 43,543 | (1,303) | 48,683 | (1,592) | 55,864 | (2,511) |
| Lines in service per 100 inhabitants (d) | 20.4 | (0.2) | 20.7 | (0.1) | 20.7 | (0.1) | 20.6 | (0.1) | 20.6 | |
| Lines in service per employee (e) | 371 | 1 | 370 | (3) | 377 | (2) | 366 | | 359 | 1 |

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

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

| | 1Q13 | | 1Q12 | | 1Q11 | | 1Q10 | | 1Q09 | |
|------------------------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
| | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |
| Total ADSL subscribers | 1,626,000 | (3,000) | 1,566,000 | 16,000 | 1,407,000 | 27,000 | 1,232,000 | 18,000 | 1,060,000 | 28,000 |

Mobile services

Personal

| | 1Q13 | | 1Q12 | | 1Q11 | | 1Q10 | | 1Q09 | |
|--|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
| | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |

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| | | | | | | | | | | |
|--------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| Post-paid subscribers | 2,415,000 | 29,000 | 2,226,000 | 48,000 | 1,886,000 | 81,000 | 1,613,000 | 22,000 | 1,472,000 | 49,000 |
| Cuentas Claras plans | 3,583,000 | 106,000 | 3,176,000 | 37,000 | 2,814,000 | 18,000 | 2,707,000 | (2,000) | 2,822,000 | 15,000 |
| Prepaid subscribers | 12,763,000 | 43,000 | 12,672,000 | 258,000 | 11,841,000 | 415,000 | 10,454,000 | 403,000 | 8,832,000 | 529,000 |
| Dongles (*) | 353,000 | (39,000) | 473,000 | 11,000 | 341,000 | 35,000 | 174,000 | 50,000 | 45,000 | 14,000 |
| Total subscribers | 19,114,000 | 139,000 | 18,547,000 | 354,000 | 16,882,000 | 549,000 | 14,948,000 | 473,000 | 13,171,000 | 607,000 |

| | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Lines per employee | 3,642 | 3,734 | 3,831 | 3,829 | 3,535 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|

Núcleo

| | 1Q13 | | 1Q12 | | 1Q11 | | 1Q10 | | 1Q09 | |
|------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|--------------|
| | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |
| Post-paid subscribers | 29,000 | (1,000) | 30,000 | 1,000 | 26,000 | 1,000 | 24,000 | | 23,000 | (1,000) |
| Plan control subscribers | 270,000 | 9,000 | 227,000 | 7,000 | 199,000 | 8,000 | 161,000 | 8,000 | 143,000 | 3,000 |
| Prepaid subscribers | 1,888,000 | 16,000 | 1,829,000 | 37,000 | 1,604,000 | | 1,604,000 | (1,000) | 1,649,000 | 2,000 |
| Dongles (*) | 142,000 | 10,000 | 110,000 | 10,000 | 63,000 | 15,000 | 19,000 | 7,000 | | |
| Subtotal mobile | 2,329,000 | 34,000 | 2,196,000 | 55,000 | 1,892,000 | 24,000 | 1,808,000 | 14,000 | 1,815,000 | 4,000 |
| Internet subscribers - Wimax | 6,000 | | 7,000 | (1,000) | 9,000 | (1,000) | 11,000 | (1,000) | 16,000 | 1,000 |
| Total subscribers | 2,335,000 | 34,000 | 2,203,000 | 54,000 | 1,901,000 | 23,000 | 1,819,000 | 13,000 | 1,831,000 | 5,000 |

| | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Lines per employee (**) | 5,354 | 5,119 | 4,581 | 4,336 | 4,281 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|

(*) Corresponds to mobile Internet subscribers with post-paid, Cuentas Claras, Plan control and prepaid contracts.

(**) Internet Wimax subscribers are not included.

6. Consolidated ratios

| | 1Q13 | 1Q12 | 1Q11 |
|-----------------------|------|------|------|
| Liquidity (1) | 1.28 | 1.11 | 0.92 |
| Solvency (2) | 1.45 | 1.28 | 1.27 |
| Locked-up capital (3) | 0.60 | 0.63 | 0.68 |

(1) Current assets/Current liabilities.

(2) Total equity/Total liabilities.

(3) Non-current assets/Total assets.

TELECOM ARGENTINA S.A.

7. Outlook

In this fiscal year the growth prospects for fixed line services are expected to continue in line with the evolution experienced in recent years as a result of the market maturity. Arnet Broadband business got well-positioned to continue to capture market opportunities.

The mobile business is expected to continue expanding its subscriber base, although at more moderate rates than those of recent years. Mobile Internet is expected to continue to gain further presence among our customer base. Value Added Services are expected to continue to be one of the key sources of revenues growth. Personal is expected to continue to work on expanding the mobile Internet experience, considering the access restriction to additional spectrum faced by the mobile operators in the national market. Coverage expansion and speed access improvement to 3G and HSDPA+ networks, and the more complete portfolio of advanced mobile devices will be the drivers to success in its operation in the Argentine market.

The strategy implemented by the Company's Management sets forth the basic standards that will enable the Telecom Group to reach its objectives of improving quality of service, strengthening its market position and increasing operating efficiency to meet the growing demands of the dynamic telecommunication market in which it operates. The Telecom Group's investment plans are based on this future vision and on its commitment to its country and people.

Enrique Garrido
Chairman of the Board of Directors

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013

VIII

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Argentine pesos)

| | Note | March 31, 2013 | December 31, 2012 |
|--|------|-------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 2 | 3,968 | 3,160 |
| Investments | 2 | 155 | 563 |
| Trade receivables | 2 | 2,213 | 2,181 |
| Other receivables | 2 | 610 | 449 |
| Inventories | 2 | 540 | 633 |
| Total current assets | | 7,486 | 6,986 |
| Non-Current Assets | | | |
| Trade receivables | 2 | 20 | 23 |
| Deferred income tax assets | 2 | 67 | 62 |
| Other receivables | 2 | 279 | 119 |
| Investments | 2 | 52 | 70 |
| Property, plant and equipment (PP&E) | 2 | 9,193 | 9,035 |
| Intangible assets | 2 | 1,515 | 1,514 |
| Total non-current assets | | 11,126 | 10,823 |
| TOTAL ASSETS | | 18,612 | 17,809 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade payables | 2 | 3,475 | 3,659 |
| Deferred revenues | 2 | 386 | 362 |
| Financial debt | 2 | 55 | 43 |
| Salaries and social security payables | 2 | 610 | 635 |
| Income tax payables | 2 | 602 | 458 |
| Other taxes payables | 2 | 512 | 552 |
| Dividends payables | 2 | 33 | |
| Other liabilities | 2 | 31 | 40 |
| Provisions | 6 | 126 | 134 |
| Total current liabilities | | 5,830 | 5,883 |
| Non-Current Liabilities | | | |
| Trade payables | 2 | 21 | 20 |
| Deferred revenues | 2 | 340 | 329 |
| Financial debt | 2 | 99 | 101 |
| Salaries and social security payables | 2 | 117 | 128 |

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| | | | |
|--|---|---------------|---------------|
| Deferred income tax liabilities | 2 | 186 | 220 |
| Income tax payables | 2 | 12 | 12 |
| Other liabilities | 2 | 64 | 51 |
| Provisions | 6 | 942 | 907 |
| Total non-current liabilities | | 1,781 | 1,768 |
| TOTAL LIABILITIES | | 7,611 | 7,651 |
| EQUITY <i>(see Unaudited Condensed Consolidated Statement of Changes in Equity)</i> | | | |
| Equity attributable to Telecom Argentina (Controlling Company) | | 10,801 | 9,959 |
| Equity attributable to Non-controlling interest | | 200 | 199 |
| TOTAL EQUITY | 7 | 11,001 | 10,158 |
| TOTAL LIABILITIES AND EQUITY | | 18,612 | 17,809 |

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

Adrián Calaza
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

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

| | Note | Three-month periods ended March 31, | |
|---|------------|--|--------------|
| | | 2013 | 2012 |
| Revenues | 2 | 6,064 | 5,126 |
| Other income | 2 | 9 | 4 |
| Total revenues and other income | | 6,073 | 5,130 |
| Employee benefit expenses and severance payments | 2 | (868) | (677) |
| Interconnection costs and other telecommunication charges | 2 | (484) | (408) |
| Fees for services, maintenance, materials and supplies | 2 | (556) | (477) |
| Taxes and fees with the Regulatory Authority | 2 | (602) | (462) |
| Commissions | 2 | (502) | (449) |
| Cost of equipments and handsets | 2 | (558) | (437) |
| Advertising | 2 | (154) | (164) |
| Cost of VAS | 2 | (131) | (60) |
| Provisions | 6 | (40) | (40) |
| Bad debt expenses | 2 | (93) | (69) |
| Other operating expenses | 2 | (286) | (240) |
| Depreciation and amortization | 2 | (691) | (615) |
| Gain on disposal of PP&E | | 7 | 1 |
| Operating income | | 1,115 | 1,033 |
| Finance income | 2 | 205 | 130 |
| Finance expenses | 2 | (70) | (69) |
| Net income before income tax expense | | 1,250 | 1,094 |
| Income tax expense | 2 | (437) | (386) |
| Net income for the period | | 813 | 708 |
| Attributable to: | | | |
| Telecom Argentina (Controlling Company) | | 802 | 698 |
| Non-controlling interest | | 11 | 10 |
| | | 813 | 708 |
| Earnings per share attributable to Telecom Argentina basic and diluted | 1.d | 0.81 | 0.71 |

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

Adrián Calaza
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Argentine pesos)

| | Three-month periods ended March 31, | |
|---|--|------------|
| | 2013 | 2012 |
| Net income for the period | 813 | 708 |
| Other components of the Statements of Comprehensive Income | | |
| Currency translation adjustments (non-taxable) | 63 | 25 |
| Other components of the comprehensive income, net of tax | 63 | 25 |
| Total comprehensive income for the period | 876 | 733 |
| Attributable to: | | |
| Telecom Argentina (Controlling Company) | 842 | 715 |
| Non-controlling interest | 34 | 18 |
| | 876 | 733 |

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

Adrián Calaza
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Argentine pesos)

| | Equity attributable to Telecom Argentina | | | | | | | Total | Equity attributable to non-controlling interest | Total Equity |
|---------------------------------------|--|---------------------------------------|---------------------|---------------|--|---------------------------------|-------------------|---------------|---|---------------|
| | Capital stock (1) | Inflation adjustment of capital stock | Total capital stock | Legal reserve | Voluntary reserve for future investments | Currency translation adjustment | Retained earnings | | | |
| Balances as of January 1, 2012 | 984 | 2,688 | 3,672 | 451 | | 46 | 3,852 | 8,021 | 144 | 8,165 |
| Dividends from Núcleo (2) | | | | | | | | | (23) | (23) |
| <u>Comprehensive income:</u> | | | | | | | | | | |
| Net income for the period | | | | | | | 698 | 698 | 10 | 708 |
| Other comprehensive income | | | | | | 17 | | 17 | 8 | 25 |
| Total Comprehensive Income | | | | | | 17 | 698 | 715 | 18 | 733 |
| Balances as of March 31, 2012 | 984 | 2,688 | 3,672 | 451 | | 63 | 4,550 | 8,736 | 139 | 8,875 |
| Balances as of January 1, 2013 | 984 | 2,688 | 3,672 | 573 | 2,553 | 106 | 3,055 | 9,959 | 199 | 10,158 |
| Dividends from Núcleo (3) | | | | | | | | | (33) | (33) |
| <u>Comprehensive income:</u> | | | | | | | | | | |
| Net income for the period | | | | | | | 802 | 802 | 11 | 813 |
| Other comprehensive income | | | | | | 40 | | 40 | 23 | 63 |
| Total Comprehensive Income | | | | | | 40 | 802 | 842 | 34 | 876 |
| Balances as of March 31, 2013 | 984 | 2,688 | 3,672 | 573 | 2,553 | 146 | 3,857 | 10,801 | 200 | 11,001 |

(1) As of March 31, 2013 and 2012, there were 984,380,978 shares issued and fully paid.

(2) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 16, 2012.

(3) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 22, 2013.

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

Adrián Calaza
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Argentine pesos)

| | Note | Three-month periods ended March 31, | |
|---|------|--|----------------|
| | | 2013 | 2012 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Net income for the period | | 813 | 708 |
| Adjustments to reconcile net income to net cash flows provided by operating activities | | | |
| Bad debt expenses and other allowances | | 111 | 67 |
| Depreciation of PP&E | 2 | 467 | 426 |
| Amortization of intangible assets | 2 | 224 | 189 |
| Consumption of materials | 2 | 30 | 44 |
| Gain on disposal of PP&E | 2 | (7) | (1) |
| Provisions | 6 | 51 | 67 |
| Interest and other financial losses | | (35) | (8) |
| Income tax expense | 2 | 437 | 386 |
| Income tax paid | 3 | (339) | (217) |
| Net increase in assets | 3 | (356) | (76) |
| Net decrease in liabilities | 3 | (108) | (255) |
| Total cash flows provided by operating activities | | 1,288 | 1,330 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| PP&E acquisitions | 3 | (732) | (845) |
| Intangible assets acquisitions | 3 | (215) | (190) |
| Proceeds from the sale of PP&E | | 7 | |
| Investments not considered as cash and cash equivalents | 3 | 426 | |
| Total cash flows used in investing activities | | (514) | (1,035) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Payment of financial debt | 3 | (7) | (3) |
| Payment of interest | 3 | (2) | (2) |
| Total cash flows used in financing activities | | (9) | (5) |
| <u>NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</u> | | 43 | 14 |
| INCREASE IN CASH AND CASH EQUIVALENTS | | 808 | 304 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 3,160 | 2,818 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 3,968 | 3,122 |

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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

Enrique Garrido
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2013 AND 2012

(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.

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

Argentine GAAP: Generally Accepted Accounting Principles in force in Argentina for the Company (without considering the adoption of IFRS).

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

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

Company or Telecom Argentina: Telecom Argentina S.A.

CPCECABA: The *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires*.

D&A: Depreciation and amortization.

DLD: Domestic long-distance.

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: Tax on deposits to and withdrawals from bank accounts.

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

Micro Sistemas: Micro Sistemas S.A.

Nortel: Nortel Inversora S.A. Telecom's controlling company.

Núcleo: Núcleo S.A.

NYSE: *New York Stock Exchange*

OCI: Other Comprehensive Income.

Personal: Telecom Personal S.A.

PP&E: Property, plant and equipment.

Regulatory Bodies: Collectively, the SC and the CNC.

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RT: Technical resolutions issued by the FACPCE.

RT26: Technical resolution No, 26 issued by the FACPCE, amended by RT29.

SAC: Subscriber Acquisition Costs.

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

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

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

Springville: Springville S.A.

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: Telecom Argentina and its consolidated subsidiaries.

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

Telecom USA: Telecom Argentina USA Inc.

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 voicemail, message signaling, caller-ID, call transferring, call waiting, call conferencing, IVR dialing, ring back tones, SMS (Short Message Service), MMS (Mobile Multimedia Services), automatic call routing, access to wireless Internet and access to email via BlackBerry.

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

These consolidated financial statements have been prepared in accordance with RT 26 as adopted by the CPCECABA, and as required by the CNV.

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 2012 annual consolidated financial statements which can be consulted at the Company's website (www.telecom.com.ar/inversores).

For the preparation of these consolidated financial statements, the Company followed the same accounting policies applied in its most recent annual consolidated financial statements with the exception of the valuation of Pension benefits included in Other non-current liabilities.

In connection with these pension benefits granted to Telecom Argentina's unionized employees, the Company has applied IAS 19 revised (Employee Benefits), issued by the IASB in June 2011, which introduced modifications related to the recognition of actuarial gains and losses, the presentation of changes in assets and liabilities arising from defined benefit plans (which should be presented within OCI), as well as greater disclosure requirements for defined benefit plans. IAS 19 revised is mandatory for periods beginning on or after 1 January 2013. The adoption of this standard would generate a reduction of \$0.2 in Retained Earnings at the beginning of year 2013 with charge to OCI. Based on materiality grounds, the opening balance of Retained Earnings has not been changed and the provisions of the new standard have been applied in the determination of fiscal year 2013 results of operations.

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 March 31, 2013 was approved by resolution of the Board of Directors meeting held on April 29, 2013.

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/settled 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 Group as evaluated by the Management, and are in line with the industrial sector of telecommunications;

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;

TELECOM ARGENTINA S.A.

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 owners in their capacity as owners (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 Argentine Corporations Law and/or by the CNV have been also included.

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 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) 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

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 three-month periods ended March 31, 2013 and 2012, the weighted average of shares outstanding totaled 984,380,978 shares.

NOTE 2 BREAKDOWN OF THE MAIN ACCOUNTS

| | March 31, 2013 | December 31, 2012 |
|---|----------------------|-------------------------|
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | |
| CURRENT ASSETS | | |
| a) Cash and cash equivalents | | |
| Cash | 14 | 12 |
| Banks | 197 | 120 |
| Time deposits | 3,694 | 2,624 |
| Mutual funds | 63 | 404 |

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| | | |
|-----------------------------------|--------------|--------------|
| | 3,968 | 3,160 |
| b) Investments | | |
| Investments over 90 days maturity | 107 | 540 |
| Argentine companies Notes | 21 | 1 |
| Loan to Nortel (Note 5.c) | 7 | 2 |
| Government bonds | 20 | 20 |
| | 155 | 563 |
| c) Trade receivables | | |
| Fixed services | 887 | 853 |
| Personal mobile services | 1,512 | 1,469 |
| Núcleo mobile services | 65 | 61 |
| Subtotal | 2,464 | 2,383 |
| Allowance for doubtful accounts | (251) | (202) |
| | 2,213 | 2,181 |

TELECOM ARGENTINA S.A.

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

| | March 31, 2013 (3 months) | December 31, 2012 (12 months) |
|--------------------------------------|---------------------------------|-------------------------------------|
| At the beginning of the year | (202) | (170) |
| Additions Bad debt expenses | (93) | (275) |
| Uses | 44 | 243 |
| At the end of the period/year | (251) | (202) |

| | March 31, 2013 | December 31, 2012 |
|---|-------------------|----------------------|
| d) Other receivables | | |
| Prepaid expenses | 261 | 206 |
| Prepaid expenses related parties (Note 5.c) | 91 | |
| Receivables for suppliers indemnities | 28 | 61 |
| Tax credits | 83 | 54 |
| Restricted funds | 13 | 13 |
| Compensation Fund | 10 | 19 |
| Expenditure reimbursement | 43 | 38 |
| Other | 96 | 73 |
| Subtotal | 625 | 464 |
| Allowance for doubtful accounts | (15) | (15) |
| | 610 | 449 |

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

| | March 31, 2013 (3 months) | December 31, 2012 (12 months) |
|--------------------------------------|---------------------------------|-------------------------------------|
| At the beginning of the year | (15) | (12) |
| Additions | | (3) |
| At the end of the period/year | (15) | (15) |

| | March 31, 2013 | December 31, 2012 |
|-----------------------|-------------------|----------------------|
| e) Inventories | | |

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| | | |
|---|------------|------------|
| Mobile handsets | 543 | 626 |
| Fixed telephones and equipment | 21 | 15 |
| Subtotal | 564 | 641 |
| Allowance for obsolescence of inventories | (24) | (8) |
| | 540 | 633 |

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

| | March 31, 2013 (3 months) | December 31, 2012 (12 months) |
|--|---------------------------------|-------------------------------------|
| At the beginning of the year | (8) | (19) |
| Additions Fees for services, maintenance, materials and supplies | (19) | (14) |
| Uses | 3 | 25 |
| At the end of the period/year | (24) | (8) |

| | March 31, 2013 | December 31, 2012 |
|--|-------------------|----------------------|
| NON CURRENT ASSETS | | |
| f) Trade receivables | | |
| Fixed services | 20 | 23 |
| | 20 | 23 |
| g) Deferred income tax assets | | |
| <i>Net deferred income tax assets in Argentina (Telecom Argentina)</i> | | |
| Allowance for doubtful accounts | 43 | 40 |
| Provisions | 246 | 248 |
| Termination benefits | 59 | 63 |
| Other deferred income tax assets, net | 107 | 108 |
| Deferred income tax liabilities in Argentina | | |
| PP&E and intangible assets | (396) | (405) |
| <i>In Argentina</i> | 59 | 54 |

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| | March 31, 2013 | December 31, 2012 |
|---|-------------------|----------------------|
| Net deferred income tax assets abroad (Núcleo and Springville) | | |
| Tax loss carryforwards | 1 | 1 |
| Allowance for doubtful accounts | 3 | 2 |
| PP&E | 11 | 11 |
| Valuation allowance | (1) | (1) |
| Deferred income tax liabilities abroad | | |
| Other deferred income tax liabilities | (6) | (5) |
| Abroad | 8 | 8 |
| | 67 | 62 |
| h) Other receivables | | |
| Credit on SC Resolution No. 41/07 and IDC | 85 | 85 |
| Restricted funds | 23 | 22 |
| Tax credits | 17 | 17 |
| Prepaid expenses | 90 | 86 |
| Prepaid expenses related parties (Note 5 c) | 153 | |
| Credit on minimum presumed income tax | 4 | 4 |
| Other | 9 | 7 |
| Subtotal | 381 | 221 |
| Allowance for regulatory matters | (85) | (85) |
| Allowance for doubtful accounts | (17) | (17) |
| | 279 | 119 |

Movements in the allowance for regulatory matters are as follows:

| | March 31, 2013 (3 months) | December 31, 2012 (12 months) |
|--------------------------------------|---------------------------------|-------------------------------------|
| At the beginning of the year | (85) | (90) |
| Uses | | 5 |
| At the end of the period/year | (85) | (85) |

Movements in the allowance for doubtful accounts are as follows:

| | March 31, 2013 (3 months) | December 31, 2012 (12 months) |
|-------------------------------------|---------------------------------|-------------------------------------|
| At the beginning of the year | (17) | (17) |

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| | | |
|--------------------------------------|-------------|-------------|
| Additions | | (1) |
| Uses | | 1 |
| At the end of the period/year | (17) | (17) |

| | March 31, 2013 | December 31, 2012 |
|---|-------------------|----------------------|
| i) Investments | | |
| Argentinean companies Notes | 51 | 69 |
| 2003 Telecommunications Fund | 1 | 1 |
| | 52 | 70 |
| j) PP&E | | |
| Land, buildings and installations | 899 | 900 |
| Computer equipment and software | 1,167 | 1,196 |
| Switching and transmission equipment (i) | 2,247 | 2,286 |
| Mobile network access and external wiring | 2,544 | 2,531 |
| Construction in progress | 1,734 | 1,534 |
| Other tangible assets | 311 | 322 |
| Materials | 305 | 280 |
| Subtotal | 9,207 | 9,049 |
| Valuation allowance for materials | (14) | (14) |
| | 9,193 | 9,035 |

- (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.

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

| | March 31, 2013 (3 months) | December 31, 2012 (12 months) |
|--------------------------------------|---------------------------------|-------------------------------------|
| At the beginning of the year | 9,049 | 8,262 |
| CAPEX | 519 | 2,415 |
| Materials | 52 | 159 |
| Total PP&E additions | 571 | 2,574 |
| Currency translation adjustments | 85 | 131 |
| Decreases | (1) | (1) |
| Consumption of materials | (30) | (125) |
| Depreciation of the period/year | (467) | (1,792) |
| At the end of the period/year | 9,207 | 9,049 |

Movements in the valuation allowance for materials are as follows:

| | March 31, 2013 (3 months) | December 31, 2012 (12 months) |
|---|---------------------------------|-------------------------------------|
| At the beginning of the year | (14) | (15) |
| Additions - Fees for services, maintenance, and materials | | (5) |
| Uses | | 6 |
| At the end of the period/year | (14) | (14) |

| | March 31, 2013 | December 31, 2012 |
|--|-------------------|----------------------|
| k) Intangible assets | | |
| Licenses | 588 | 588 |
| SAC | 591 | 586 |
| Service connection or habilitation costs | 93 | 94 |
| Rights of use | 223 | 227 |
| Other intangible assets | 20 | 19 |
| | 1,515 | 1,514 |

Movements in Intangible assets are as follows:

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| | March 31, 2013 (3 months) | December 31, 2012 (12 months) |
|--------------------------------------|---------------------------------|-------------------------------------|
| At the beginning of the year | 1,514 | 1,488 |
| CAPEX | 222 | 842 |
| Currency translation adjustments | 3 | 4 |
| Amortization of the period/year | (224) | (820) |
| At the end of the period/year | 1,515 | 1,514 |

| | March 31, 2013 | December 31, 2012 |
|-------------------------------------|-------------------|----------------------|
| CURRENT LIABILITIES | | |
| l) Trade payables | | |
| PP&E suppliers | 1,166 | 1,427 |
| Other assets and services suppliers | 1,624 | 1,607 |
| Inventory suppliers | 585 | 584 |
| Subtotal suppliers | 3,375 | 3,618 |
| Agent commissions | 89 | 30 |
| SU reimbursement | 11 | 11 |
| | 3,475 | 3,659 |

| | | |
|---|------------|------------|
| m) Deferred revenues | | |
| Deferred revenue on prepaid calling cards | 290 | 270 |
| Deferred revenue on connection fees | 31 | 30 |
| Deferred revenue on sale of capacity and related services | 33 | 34 |
| Deferred revenue on customer loyalty programs | 30 | 26 |
| Deferred revenue from CONATEL | 2 | 2 |
| | 386 | 362 |

| | | |
|-----------------------------------|-----------|-----------|
| n) Financial debt (Núcleo) | | |
| Bank loans | 50 | 40 |
| Accrued interest | 5 | 3 |
| | 55 | 43 |

| | | |
|---|------------|------------|
| o) Salaries and social security payables | | |
| Vacation and bonuses | 415 | 391 |
| Social security payables | 117 | 144 |
| Termination benefits | 60 | 60 |
| Restructuring debt | 9 | 14 |
| Compensation Fund contributions | 9 | 26 |
| | 610 | 635 |

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| | March 31, 2013 | December 31, 2012 |
|---|-------------------|----------------------|
| p) Income tax payables | | |
| Income tax payables | 2,006 | 1,520 |
| Payments in advance of income taxes | (1,407) | (1,065) |
| Law No. 26,476 Tax Regularization Regime | 3 | 3 |
| | 602 | 458 |
| q) Other taxes payables | | |
| VAT, net | 155 | 180 |
| Tax on SU | 90 | 88 |
| Tax withholdings | 63 | 91 |
| Internal taxes | 60 | 55 |
| Turnover tax | 56 | 54 |
| Regulatory fees | 47 | 48 |
| Municipal taxes | 18 | 17 |
| Retention Decree No.583/10 ENARD | 10 | 9 |
| Other | 13 | 10 |
| | 512 | 552 |
| r) Dividends payables | | |
| Related parties (Note 5.c) | 33 | |
| | 33 | |
| s) Other liabilities | | |
| Legal fees | | 12 |
| Guarantees received | 9 | 7 |
| Other | 22 | 21 |
| | 31 | 40 |
| NON CURRENT LIABILITIES | | |
| t) Trade payables | | |
| PP&E suppliers | 21 | 20 |
| | 21 | 20 |
| u) Deferred revenues | | |
| Deferred revenue on sale of capacity and related services | 221 | 217 |
| Deferred revenue on connection fees | 63 | 64 |
| Deferred revenue on customer loyalty programs | 47 | 39 |
| Deferred revenue from CONATEL | 9 | 9 |
| | 340 | 329 |
| v) Financial debt (Núcleo) | | |

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| | | |
|--|------------|------------|
| Bank loans | 99 | 101 |
| | 99 | 101 |
| w) Salaries and social security payables | | |
| Termination benefits | 117 | 128 |
| | 117 | 128 |
| x) Deferred income tax liabilities (Telecom Personal) | | |
| <i>Deferred income tax assets</i> | | |
| Allowance for doubtful accounts | (68) | (54) |
| Provisions | (130) | (120) |
| Inventory | (21) | (19) |
| Other | (6) | (3) |
| Allowance for deferred income tax assets | 23 | 23 |
| <i>Deferred income tax liabilities</i> | | |
| PP&E and intangible assets | 332 | 348 |
| Other | 56 | 45 |
| Net deferred income tax liabilities | 186 | 220 |
| y) Income tax payables | | |
| Law No. 26,476 Tax Regularization Regime | 12 | 12 |
| | 12 | 12 |
| z) Other liabilities | | |
| Suppliers guarantees on third parties claims | 9 | 12 |
| Pension benefits (Note 1.a) | 42 | 38 |
| Legal fees | 12 | |
| Other | 1 | 1 |
| | 64 | 51 |

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aa) Aging of assets and liabilities at March 31, 2013

| Date due | Cash and cash equivalents | Investments | Trade receivables | Deferred income tax assets | Other receivables | Trade payables | Deferred revenues | Financial debt | Salaries and social security payables | Income tax payables | Other taxes payable | Dividends payable | Deferred income tax liabilities | Other liabilities |
|---|---------------------------|-------------|-------------------|----------------------------|-------------------|----------------|-------------------|----------------|---------------------------------------|---------------------|---------------------|-------------------|---------------------------------|-------------------|
| Total due | | | 898 | | | (d) 115 | | | | | | | | |
| Not due | | | | | | | | | | | | | | |
| Second quarter 2013 | 3,968 | 118 | 1,277 | | 378 | 3,355 | 315 | 16 | 392 | 599 | 512 | 16 | | 26 |
| Third quarter 2013 | | 7 | 22 | | 89 | 5 | 24 | 8 | 72 | 1 | | | | 3 |
| Fourth quarter 2013 | | 10 | 10 | | 81 | | 22 | 18 | 64 | 1 | | 17 | | 1 |
| First quarter 2014 | | 20 | 6 | | 62 | | 25 | 13 | 82 | 1 | | | | 1 |
| April 2014 thru March 2015 | | 51 | 14 | | 130 | 21 | 96 | 38 | 43 | 3 | | | | 23 |
| April 2015 thru March 2016 | | | 6 | | 76 | | 46 | 26 | 29 | 3 | | | | 2 |
| April 2016 and thereafter | | | | | 73 | | 198 | 35 | 45 | 6 | | | | 39 |
| Not date due established | | 1 | | 67 | | | | | | | | | 186 | |
| Total not due | 3,968 | 207 | 1,335 | 67 | 889 | 3,381 | 726 | 154 | 727 | 614 | 512 | 33 | 186 | 95 |
| Total | 3,968 | 207 | 2,233 | 67 | 889 | 3,496 | 726 | 154 | 727 | 614 | 512 | 33 | 186 | 95 |
| Balances bearing interest | 3,757 | 206 | 923 | | | 44 | | 154 | | 22 | | | | 4 |
| Balances not bearing interest | 211 | 1 | 1,310 | 67 | 889 | 3,452 | 726 | | 727 | 592 | 512 | 33 | 186 | 91 |
| Total | 3,968 | 207 | 2,233 | 67 | 889 | 3,496 | 726 | 154 | 727 | 614 | 512 | 33 | 186 | 95 |
| Average annual interest rate (%) | (a) | (b) | (c) | | | 17% | | 10,28% | | 9% | | | | 6% |

(a) \$63 bear 9.31%, \$876 bear 8.34% and \$2,818 bear 14.49%.

(b) \$107 bear 17.78%, \$7 bear 23.18%, \$21 bear 19.10%, \$51 bear 5.09%, \$10 bear 8.84%, \$10 bear 20.08%.

(c) \$78 bear 50% over the Banco de la Nación Argentina 30-day interest rate paid by banks, \$223 bear 50% over the Banco de la Nación Argentina notes payable discount rate, \$14 in financing plans bear 28%, \$38 bear 8.3%, \$557 bear 28.28%, and \$13 bear 36%.

(d) At the date of these consolidated financial statements, \$72 was cancelled.

ab) Foreign currency assets and liabilities

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| | 03.31.13 | | 12.31.12 | |
|---------------------------------|---|-------------------------------|---|-------------------------------|
| | Type and amount of foreign currency (i) | Amount in local currency (ii) | Type and amount of foreign currency (i) | Amount in local currency (ii) |
| Net positions | US\$ | (109) | US\$ | (138) |
| Net assets (liabilities) | G | (153,785) | G | (118,791) |
| | EURO | (16) | EURO | (10) |
| | SDR | 3 | SDR | 3 |
| | | (852) | | (863) |

- (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.

| | Three month periods ended March 31, | |
|--|--|--------------|
| | 2013 | 2012 |
| Profit (loss) | | |
| <u>CONSOLIDATED INCOME STATEMENTS</u> | | |
| ac) Total revenues and other income | | |
| <u>Services</u> | | |
| Voice Retail | 629 | 607 |
| Voice Wholesale | 185 | 175 |
| Internet | 575 | 458 |
| Data | 213 | 163 |
| Subtotal Fixed services | 1,602 | 1,403 |
| Voice Retail | 1,214 | 1,077 |
| Voice Wholesale | 448 | 425 |
| Internet | 391 | 276 |
| Data | 1,615 | 1,323 |
| Subtotal Personal Mobile services | 3,668 | 3,101 |
| Voice Retail | 87 | 86 |
| Voice Wholesale | 22 | 18 |
| Internet | 62 | 26 |
| Data | 78 | 63 |
| Subtotal Núcleo Mobile services | 249 | 193 |
| Total service revenues (a) | 5,519 | 4,697 |
| <u>Equipment</u> | | |
| Fixed services | 14 | 18 |
| Personal Mobile services | 518 | 405 |
| Núcleo Mobile services | 13 | 6 |
| Total equipment revenues (b) | 545 | 429 |
| <u>Other income</u> | | |
| Fixed services | 8 | 3 |

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| | | |
|--|--------------|--------------|
| Personal Mobile services | 1 | 1 |
| Total other income (c) | 9 | 4 |
| Total revenues and other income (a)+(b)+(c) | 6,073 | 5,130 |

TELECOM ARGENTINA S.A.

ad) Operating costs

Operating expenses disclosed by nature of expense amounted to \$4,958 and \$4,097 for the three-month periods ended March 31, 2013 and 2012, respectively.

The main components of the operating expenses are the following:

| | Three month periods ended March 31, | |
|---|--|--------------|
| | 2013 | 2012 |
| | Profit (loss) | |
| <u>Employee benefit expenses and severance payments</u> | | |
| Wages and salaries | (642) | (491) |
| Social security expenses | (195) | (138) |
| Severance indemnities and termination benefits | (11) | (29) |
| Other employee benefits | (20) | (19) |
| | (868) | (677) |
| <u>Interconnection costs and other telecommunication charges</u> | | |
| Fixed telephony interconnection costs | (55) | (53) |
| Cost of international outbound calls | (37) | (37) |
| Lease of circuits | (42) | (39) |
| Mobile services - charges for roaming | (135) | (86) |
| Mobile services - charges for TLRD | (215) | (193) |
| | (484) | (408) |
| <u>Fees for services, maintenance, materials and supplies</u> | | |
| Maintenance of hardware and software | (80) | (66) |
| Technical maintenance | (112) | (84) |
| Service connection fees for fixed lines and Internet lines | (37) | (30) |
| Service connection fees capitalized as SAC | 2 | 2 |
| Service connection fees capitalized as Intangible assets | 6 | 5 |
| Other maintenance costs | (71) | (51) |
| Call center fees | (157) | (147) |
| Other fees for services | (104) | (103) |
| Directors and Supervisory Committee's fees | (3) | (3) |
| | (556) | (477) |
| <u>Taxes and fees with the Regulatory Authority</u> | | |
| Turnover tax | (324) | (238) |
| Taxes with the Regulatory Authority | (150) | (118) |
| Tax on deposits to and withdrawals from bank accounts | (61) | (49) |
| Municipal taxes | (42) | (30) |
| Other taxes | (25) | (27) |

| | | |
|--|--------------|--------------|
| | (602) | (462) |
| <u>Commissions</u> | | |
| Agent commissions | (358) | (311) |
| Agent commissions capitalized as SAC | 103 | 76 |
| Distribution of prepaid cards commissions | (139) | (123) |
| Collection commissions | (92) | (71) |
| Other commissions | (16) | (20) |
| | (502) | (449) |
| <u>Cost of equipments and handsets</u> | | |
| Inventory balance at the beginning of the period | (641) | (555) |
| Plus: | | |
| Purchases | (588) | (559) |
| Deferred costs from SAC | 103 | 106 |
| Transfer from materials | | (1) |
| Net decreases from allowance for obsolescence | 1 | 3 |
| Mobile handsets lent to customers at no cost | 2 | 1 |
| Replacements to customers | 1 | 4 |
| Less: | | |
| Inventory balance at period end | 564 | 564 |
| | (558) | (437) |

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| | Three month periods ended | |
|--|---------------------------|--------------|
| | 2013 | 2012 |
| | March 31, | |
| | Profit (loss) | |
| <u>Advertising</u> | | |
| Media advertising | (85) | (97) |
| Fairs and exhibitions | (36) | (36) |
| Other advertising costs | (33) | (31) |
| | (154) | (164) |
| <u>Cost of VAS</u> | | |
| Cost of mobile VAS | (129) | (58) |
| Cost of fixed VAS | (2) | (2) |
| | (131) | (60) |
| <u>Other operating costs</u> | | |
| Transportation, freight and travel expenses | (93) | (79) |
| Delivery costs capitalized as SAC | 7 | 7 |
| Rental expense | (65) | (52) |
| Energy, water and others | (85) | (74) |
| International and satellite connectivity | (31) | (30) |
| Other | (19) | (12) |
| | (286) | (240) |
| <u>D&A</u> | | |
| Depreciation of PP&E | (467) | (426) |
| Amortization of SAC and service connection costs | (219) | (183) |
| Amortization of other intangible assets | (5) | (6) |
| | (691) | (615) |

As required by the Argentine Corporations Law, the operating expenses disclosed by function are as follows:

| | | |
|-------------------------------------|----------------|----------------|
| Cost of sales and services | (2,989) | (2,421) |
| General and administrative expenses | (201) | (152) |
| Selling expenses | (1,735) | (1,485) |
| Other expenses - provisions | (40) | (40) |
| Gain on disposal of PP&E | 7 | 1 |
| | (4,958) | (4,097) |
| ae) Financial results | | |
| Finance income | | |
| Interest on cash equivalents | 105 | 80 |

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| | | |
|---|-------------|-------------|
| Interest on investments (Argentine companies Notes and Government bonds) | 5 | |
| Interest on receivables | 25 | 20 |
| Gains on Mutual Funds | 9 | 5 |
| Interest on related parties (Note 5.d) | | 1 |
| Foreign currency exchange gains | 60 | 24 |
| Other | 1 | |
| Total finance income | 205 | 130 |
| Finance expenses | | |
| Interest on loans | (4) | (3) |
| Interest on salaries and social security payable, other taxes payables and accounts payable | (4) | (2) |
| Interest on provisions | (11) | (27) |
| Loss on discounting of salaries and social security payable, other taxes payables and other liabilities | (3) | (6) |
| Foreign currency exchange losses | (47) | (31) |
| Other | (1) | |
| Total finance expenses | (70) | (69) |
| | 135 | 61 |

TELECOM ARGENTINA S.A.

af) Income taxes

Income tax expense for the three-month periods ended March 31, 2013 and 2012 consists of the following:

| | Profit (loss) | | | Total |
|--|---------------|--------------|------------|--------------|
| | The Company | Personal | Núcleo | |
| Current tax expense | (110) | (365) | (7) | (482) |
| Deferred tax benefit | 5 | 39 | 1 | 45 |
| Income tax expense as of March 31, 2013 | (105) | (326) | (6) | (437) |
| Current tax expense | (70) | (311) | (5) | (386) |
| Deferred tax benefit (expense) | (5) | 6 | | 1 |
| Valuation allowance | | (1) | | (1) |
| Income tax expense as of March 31, 2012 | (75) | (306) | (5) | (386) |

Income tax expense for the periods differed from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

| | In Argentina | Abroad | Total |
|--|--------------|---------------|--------------|
| | | Profit (loss) | |
| Pre-tax income on a separate return basis | 1,833 | 40 | 1,873 |
| Non taxable items Other income from investments | (624) | | (624) |
| Non taxable items Other | 1 | 3 | 4 |
| Subtotal | 1,210 | 43 | 1,253 |
| Weighted statutory income tax rate | 35% | (*) | |
| Income tax expense at weighted statutory tax rate | (423) | (6) | (429) |
| Income tax on cash dividends from foreign companies | (6) | | (6) |
| Other changes in tax assets and liabilities | &n | | |