

TELECOM ARGENTINA SA  
Form 20-F  
April 29, 2016  
Table of Contents

As filed with the Securities and Exchange Commission on April 28, 2016.

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

---

**FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2015**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from                      to**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . . .

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-13464

**TELECOM ARGENTINA S.A.**

(Exact name of Registrant as specified in its charter)

**Republic of Argentina**

(Jurisdiction of incorporation or organization)

**Alicia Moreau de Justo 50**

**(C1107AAB) - Buenos Aires**

**Argentina**

(Address of principal executive offices)

**Pedro Insussarry**

**(Tel: 54-11-4968-3743, Fax: 54-11-4968-3616, E-mail: pinsussa@ta.telecom.com.ar,**

**Alicia Moreau de Justo 50, 10th Floor, (C1107AAB), Buenos Aires, Argentina)**  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, representing Class B Ordinary Shares	New York Stock Exchange
Class B Ordinary Shares, nominal value P\$1.00 per share	New York Stock Exchange*

---

\* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

---

Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

Table of Contents

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Class A Ordinary Shares, nominal value P\$1.00 each	502,034,299
Class B Ordinary Shares, nominal value P\$1.00 each	466,883,425
Class C Ordinary Shares, nominal value P\$1.00 each	241,881

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If  Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

---

Table of Contents

**TABLE OF CONTENTS**

---

		<b>Page</b>
	<u>PRESENTATION OF FINANCIAL INFORMATION</u>	1
	<u>FORWARD-LOOKING STATEMENTS</u>	3
	<u>GLOSSARY OF TERMS</u>	5
<b><u>PART I</u></b>		
<u>ITEM 1.</u>	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	12
<u>ITEM 2.</u>	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	12
<u>ITEM 3.</u>	<u>KEY INFORMATION</u>	12
<u>ITEM 4.</u>	<u>INFORMATION ON THE COMPANY</u>	30
<u>ITEM 4A.</u>	<u>UNRESOLVED STAFF COMMENTS</u>	71
<u>ITEM 5.</u>	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	72
<u>ITEM 6.</u>	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	121
<u>ITEM 7.</u>	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	139
<u>ITEM 8.</u>	<u>FINANCIAL INFORMATION</u>	147
<u>ITEM 9.</u>	<u>THE OFFER AND LISTING</u>	158
<u>ITEM 10.</u>	<u>ADDITIONAL INFORMATION</u>	163
<u>ITEM 11.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	178
<u>ITEM 12.</u>	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	179
<b><u>PART II</u></b>		
<u>ITEM 13.</u>	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	180
<u>ITEM 14.</u>	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	180
<u>ITEM 15.</u>	<u>CONTROLS AND PROCEDURES</u>	180
<u>ITEM 16A.</u>	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	181
<u>ITEM 16B.</u>	<u>CODE OF ETHICS</u>	181
<u>ITEM 16C.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	182
<u>ITEM 16D.</u>	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	183
<u>ITEM 16E.</u>	<u>PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS</u>	183
<u>ITEM 16F.</u>	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	183
<u>ITEM 16G.</u>	<u>CORPORATE GOVERNANCE</u>	184
<u>ITEM 16H.</u>	<u>MINE SAFETY DISCLOSURE</u>	184
<b><u>PART III</u></b>		
<u>ITEM 17.</u>	<u>FINANCIAL STATEMENTS</u>	185
<u>ITEM 18.</u>	<u>FINANCIAL STATEMENTS</u>	185
<u>ITEM 19.</u>	<u>EXHIBITS</u>	185

---

Table of Contents

**PRESENTATION OF FINANCIAL INFORMATION**

Telecom Argentina S.A. is a company incorporated under the laws of Argentina. As used in this Annual Report on Form 20-F (the "Form 20-F" or "Annual Report"), the terms "the Company," "Telecom," "Telecom Group," "we," "us," and "our" refer to Telecom Argentina S.A. and its consolidated subsidiaries as of December 31, 2015. Unless otherwise stated, references to the financial results of "Telecom" are to the consolidated financial results of Telecom Argentina and its consolidated subsidiaries. The Telecom Group is engaged in the provision of fixed and mobile telecommunications services.

The term "Telecom Argentina" refers to Telecom Argentina S.A. excluding its subsidiaries, as of December 31, 2015, Telecom Personal S.A., Núcleo S.A., Personal Envíos S.A. ("Envíos"), Telecom Argentina USA Inc. ("Telecom Argentina USA"), and Micro Sistemas S.A. Telecom Argentina is engaged in the provision of fixed telecommunication services in Argentina. The terms "Telecom Personal" or "Personal" refer to Telecom Personal S.A., our subsidiary engaged in the provision of mobile telecommunication services in Argentina. The term "Núcleo" refers to Núcleo S.A., Personal's subsidiary engaged in the provision of mobile telecommunication services in Paraguay. Envíos is Núcleo's subsidiary engaged in the provision of mobile financial services in Paraguay.

Our Consolidated Financial Statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013, and the notes thereto (the "Consolidated Financial Statements") are set forth on pages F-1 through F-98 of this Annual Report.

Our Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been approved by resolution of the Board of Directors' meeting held on February 26, 2016.

Our Consolidated Financial Statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013, as included in this report, have been audited by an independent registered public accounting firm.

Telecom Argentina and our Argentine subsidiaries maintain their accounting records and prepare their financial statements in Argentine Pesos, which is their functional currency. Our subsidiaries Núcleo, Envíos and Telecom Argentina USA, however, maintain their accounting records and prepare their financial statements in Guaraníes (Núcleo and Envíos) and in U.S. dollars (Telecom Argentina USA). Our Consolidated Financial Statements include the results of these subsidiaries translated into Argentine Pesos. Assets and liabilities are translated at year-end exchange rates and revenue and expense accounts at average exchange rates for each year presented.

Certain financial information contained in this Annual Report has been presented in U.S. dollars. This Annual Report contains translations of various Argentine Peso amounts into U.S. dollars at specified rates solely for convenience of the reader. You should not construe these translations as representations by us that the Argentine Peso amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Except as otherwise specified, all references to "US\$", "U.S. dollars" or "dollars" are to United States dollars, references to "EUR," "euro" or "euros" are to the lawful currency of the member states of the European Union and references to "Argentine Pesos" or "pesos" are to Argentine Pesos. Unless otherwise indicated, we have translated the Argentine Peso amounts using a rate of P\$13.04 = US\$1.00, the U.S. dollar ask rate published by the Banco de la Nación Argentina

Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

(Argentine National Bank) on December 31, 2015. On April 26, 2016, the exchange rate was P\$14.31 = US\$1.00. As a result of fluctuations in the Argentine peso/U.S. dollar exchange rate, the exchange rate at such date may not be indicative of current or future exchange rates. Consequently, these translations should not be construed as a representation that the peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See Item 3 Key Information Exchange Rates , and Item 3 Key Information Risk Factors Risks Relating to Argentina Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad.

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

PRESENTATION OF FINANCIAL INFORMATION

TELECOM ARGENTINA S.A.

Table of Contents

Certain amounts and ratios contained in this Annual Report (including percentage amounts) have been rounded up or down to facilitate the summation of the tables in which they are presented. The effect of this rounding is not material. These rounded amounts are also included within the text of this Annual Report.

The contents of our website and other websites referred to herein are not part of this Annual Report.

This Annual Report contains certain terms that may be unfamiliar to some readers. You can find a Glossary of these terms on page 5 of this Annual Report.

PRESENTATION OF FINANCIAL INFORMATION

TELECOM ARGENTINA S.A.



Table of Contents

**FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Certain information included in this Annual Report contains information that is forward-looking, including, but not limited to:

- our expectations for our future performance, revenues, income, earnings per share, capital expenditures, dividends, liquidity and capital structure;
- the implementation of our business strategy;
- the changing dynamics and growth in the telecommunications market;
- our outlook for new and enhanced technologies;
- the effects of operating in a competitive environment;
- industry conditions;
- the outcome of certain legal proceedings;
- regulatory and legal developments; and
- other factors identified or discussed under Item 3 Key Information Risk Factors.

This Annual Report contains certain forward-looking statements and information relating to the Telecom Group that are based on current expectations, estimates and projections of our Management and information currently available to the Telecom Group. These statements include, but are not limited to, statements made in Item 3 Key Information Risk Factors, Item 5 Operating and Financial Review and Prospects under the

## Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

captions Critical Accounting Policies and Trend Information, Item 8 Financial Information Legal Proceedings and other statements about the Telecom Group's strategies, plans, objectives, expectations, intentions, capital expenditures, and assumptions and other statements contained in this Annual Report that are not historical facts. When used in this document, the words anticipate, believe, estimate, expect, intend, plan, will, may and should and other similar expressions are generally intended to identify forward-looking statements.

These statements reflect the current views of the Management of the Company with respect to future events. They are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. In addition, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Many factors could cause actual results, performance or achievements of the Telecom Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, among others:

- our ability to successfully implement our business strategy;
- our ability to introduce new products and services that enable business growth;
- uncertainties relating to political and economic conditions in Argentina and Paraguay;
- inflation, the devaluation of the peso and of the Guaraní and exchange rate risks in Argentina and Paraguay;
- restrictions on the ability to exchange pesos into foreign currencies and transfer funds abroad;

FORWARD-LOOKING STATEMENTS

TELECOM ARGENTINA S.A.

Table of Contents

- the final results of the contract renegotiation process with the Argentine government and the way the Argentine government regulates Law No. 27,078, the Argentina Digital Law or LAD, as amended by Decree No. 267/15;
- the creditworthiness of our actual or potential customers;
- nationalization, expropriation and/or increased government intervention in companies;
- technological changes;
- the impact of legal or regulatory matters, changes in the interpretation of current or future regulations or reform and changes in the legal or regulatory environment in which we operate, particularly in the way that the government will unify the LAD and Law No. 26,522 (*Audiovisual Communication Services*); and
- the effects of increased competition.

Many of these factors are macroeconomic and regulatory in nature and therefore beyond the control of the Company's Management. Should one or more of these risks or uncertainties materialize, or underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected. The Company does not intend and does not assume any obligation to update the forward-looking statements contained in this Annual Report.

These forward-looking statements are based upon a number of assumptions and other important factors that could cause our actual results, performance or achievements to differ materially from our future results, performance or achievements expressed or implied by such forward-looking statements. Readers are encouraged to consult the Company's filings made on Form 6-K, which are periodically filed with or furnished to the United States Securities and Exchange Commission.

FORWARD-LOOKING STATEMENTS

TELECOM ARGENTINA S.A.

Table of Contents

**GLOSSARY OF TERMS**

The following explanations are not provided as or intended to be technical definitions, but only to assist the general reader to understand certain terms used in this Annual Report.

*2G (second-generation mobile system):* Second-generation protocols using digital encoding and includes GSM, D-AMPS (TDMA) and CDMA. These protocols support high bit rate voice and limited data communications. 2G networks technology offers auxiliary services such as data, fax and SMS. Most 2G protocols offer different levels of encryption.

*3G (third-generation mobile system):* Third-generation mobile service, designed to provide high speed data, always-on data access, and greater voice capacity. 3G networks allow the transfer of both voice data services (telephony, messaging) and non-voice data (such as downloading Internet information, exchanging email, and instant messaging). The high data speeds, measured in Mbps, are significantly higher than 2G, and 3G networks technology enable full motion video, high-speed Internet access and video-conferencing. 3G technology standards include UMTS, based on WCDMA technology (quite often the two terms are used interchangeably), and CDMA2000.

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

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

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

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

*AFIP (Administración Federal de Ingresos Públicos):* The Argentine federal tax authority.

*AFJP (Administradoras de Fondos de Jubilaciones y Pensiones):* Private entities that were in charge of managing the funds of the Private Pension and Retirement System established by Law No. 24,241, until its nationalization in November 2008

pursuant to Law No. 26,425.

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

*AMBA (Area Metropolitana Buenos Aires):* An area comprising the city of Buenos Aires and the greater Buenos Aires area. Telephone calls within the area are considered local.

*Analog:* A mode of transmission or switching that is not digital, e.g., the representation of voice, video or other not in digital form.

*ANSES:* The Argentine administrator of social security pension and retirement benefits.

*Argentina:* Republic of Argentina.

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

*ARBU (Average Revenue Billed per User):* Calculated by dividing total monthly basic charges and traffic revenue excluding public telephony revenue by weighted-average number of fixed lines in service during the period.

*ARPU (Average Revenue per User):* Calculated by dividing total revenue excluding mainly handset, out collect (wholesale) roaming, cell site rental and activation fee revenue by weighted-average number of subscribers during the period.

*ARSAT: Empresa Argentina de Soluciones Satelitales Sociedad Anónima,* a state-owned company.

Table of Contents

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

*Backbone:* Portion of telecommunication network with the highest traffic intensity and from which the connections for services in the local areas depart.

*Badlar:* Buenos Aires Deposits of Large Amount Rate.

*Basic Telephone Services:* The supply of fixed telecommunications links that form part of the public telephone network, or are connected to such network, and the provision of local and long-distance telephone service (domestic and international).

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

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

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

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

*Carrier:* Company that makes available the physical telecommunication network.

*CAT:* Compañía Argentina de Teléfonos S.A.

*CDMA (Code Division Multiple Accesses):* A digital wireless technology used in radio communication for transmission between a mobile handset and a radio base station. It enables the simultaneous transmission and reception of several messages, each of which has a coded identity to distinguish it from the other messages.

*Cell:* Geographical portion of the territory covered by a base transceiver station: 850 MHz/1900 MHz.

*Cellular:* A technique used in mobile radio technology to use the same spectrum of frequencies in one network multiple times. Low power radio transmitters are used to cover a cell (i.e., a limited area) so that the frequencies in use can be reused without interference for other parts of the network.

*Channel:* The portion of a communications system that connects a source to one or more destinations. Also called circuit, line, link or path.

*CNC (Comisión Nacional de Comunicaciones):* The Argentine National Communications Commission, which was replaced by the AFTIC and subsequently by the ENACOM.

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

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

*C.O.O.:* Chief Operating Officer.

*CONATEL:* National Communications Commission of Paraguay.

*Convertibility Law:* Law No. 23,928 and its Regulatory Decree No. 529/91. The Convertibility Law fixed the exchange rate at one peso per U.S. dollar during the period from April 1, 1991 through January 6, 2002. The Convertibility Law was partially repealed on January 6, 2002 by the enactment of the Public Emergency Law.

*COSO:* Committee of Sponsoring Organizations of the Treadway Commission.

*CPP (Calling Party Pays):* The system whereby the party placing a call to a mobile handset rather than the mobile subscriber pays for the air time charges for the call.

*D-AMPS (Digital-Advanced Mobile Phone Service):* It is a digital version of AMPS (Advanced Mobile Phone Service), the original analog standard for mobile telephone service in the United States.

GLOSSARY OF TERMS

TELECOM ARGENTINA S.A.



Table of Contents

*Decree No. 267/15:* Decree that modifies some aspects of the LAD and Audiovisual Communication Services Law published in the Official Bulletin on January 4, 2016.

*Digital:* A mode of representing a physical variable such as speech using digits 0 and 1 only. The digits are transmitted in binary form as a series of pulses. Digital networks are rapidly replacing the older analog ones. Digital networks allow for higher capacity and higher flexibility through the use of computer-related technology for the transmission and manipulation of telephone calls. Digital systems offer lower noise interference and can incorporate encryption as a protection from external interference.

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

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

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

*Envíos:* Personal Envíos S.A.

*FCR:* France Cables et Radio S.A.

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

*Fintech:* Fintech Telecom LLC

*Flat rate:* The rate applied by providers to users accessing the internet. It is usually a fixed monthly rate for a subscription to a specific Internet Service Provider, aside from the number of connection hours to the internet.

*Free Pulses:* The number of Free Pulses included in the monthly basic charge before the issuance of Decree No. 92/97.

*FTTH, FTT Curb, FTT (Fiber to the ):* It is the term used to indicate any network architecture that uses fiber optic cables in partial or total substitution of traditional copper cables used in telecommunications networks. The various technological solutions differ in the point of the distribution network where the fiber connection is made, with respect to the end-user's location. In the case of FTT Curb (Fiber to the Curb or Fiber to the Cabinet), the fiber connection reaches the equipment (distribution cabinet) located on the pavement, from where copper connections are run to the customer; in the case of FTT Home (Fiber to the Home), the fiber connection terminates inside the customer premises.

*GCL:* General Corporations Law.

*GDP:* Gross Domestic Product.

*GPRS (General Packet Radio Service):* An enhanced second-generation mobile technology used to transmit data over mobile networks. GPRS transmits and receives packets of data in bursts instead of using continuous open radio channels, and it is used to add faster data transmission speed to GSM networks. GPRS is packet-based rather than circuit-based technology.

*GSM (Global System for Mobile Communications):* A standard for digital mobile technology used worldwide, which works on 900 MHz and 1,800 MHz band.

*HSPA (High-Speed Packet Access):* Enhanced third-generation mobile telephony communications protocol which allows networks based on UMTS to have higher data transfer speeds and capacity.

*HSPA+:* Evolved HSPA that uses the spectrum more efficiently, allowing for higher peak data rates in data transmission.

*IASB:* International Accounting Standards Board.



Table of Contents

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

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

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

*Interactive:* Allowing the user to change some aspect of the program.

*Internet:* The world's best-known data network. Initially used by the U.S. Department of Defense, the Internet now provides an interface for networks based on different technologies (LANs, WANs, data networks, etc.), but with the use of the TCP/IP protocol platform.

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

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

*IT:* Information Technology.

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

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

*Law No. 26,831 (Ley de Mercado de Capitales):* Capital Markets Law

*List of Conditions:* The Privatization Regulations, including the *Pliego de Bases y Condiciones*, was approved by Decree No. 62/90, as amended. Pursuant to the List of Conditions, Telecom Argentina was required to comply with rate regulations and meet certain minimum annual standards regarding the expansion of its telephone system and improvements in the quality of its service to maintain and extend the exclusivity of its non-expiring license to provide fixed-line public telecommunications services and Basic Telephone Services in the Northern Region of Argentina. After the market was opened to competition, the outstanding obligations that continue in force are the rate regulations and those related to the quality of service; the obligations related to the expansion of the network are no longer required.

*Loop:* Copper wire-couple, through which the telephone connection reaches users; it is the foundation of traditional telephone lines and it is often called last mile.

*Micro Sistemas:* Micro Sistemas S.A.

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

*MMS (Mobile Multimedia Services):* Represent an evolution of the SMS and the Enhanced Messaging Service ( EMS ) using various mono-medial elements (text, design, photos, video-clips and audio), which are synchronized and combined allowing them to be packed together and sent to GSM-GPRS platforms.

*Mobile service:* A mobile telephone service provided by means of a network of interconnected low-powered base stations, each of which covers one small geographic cell within the total cellular system service area.

*Modem:* Modulator/Demodulator. A device that modulates digital data to allow their transmission on analog channels, generally consisting of telephone lines.

*MPLS:* Functionality and Management coincident with the operation of circuit-oriented transmission networks.

*Multimedia:* A service involving two or more communications media (e.g., voice, video, text, etc.) and hybrid products created through their interaction.

*NDF (Non Deliverable Forward) Agreement:* A generic term for a set of derivatives that covers national currency transactions including foreign exchange forward swaps, cross currency swaps and coupon swaps in nonconvertible or highly restricted currencies. The common characteristics of these contracts



Table of Contents

are that they involve no exchange of principal, are fixed at a predetermined price and are typically settled in U.S. dollars (or sometimes in Euros) at the prevailing spot exchange rate taken from an agreed source, time, and future date.

*Network:* An interconnected collection of elements. In a telephone network, these consist of switches connected to each other and to customer equipment. The transmission equipment may be based on fiber optic or metallic cable or point-to-point radio connectors.

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

*Nortel:* Nortel Inversora S.A., the parent company of Telecom Argentina S.A.

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

*Outsourcing:* Hiring outsiders to perform various telecommunications services, which may include planning, construction, or hosting of a network or specific equipment belonging to a company.

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

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

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

*Penetration:* The measurement of the take-up of services. As of any date, the penetration is calculated by dividing the number of subscribers by the population to which the service is available and expressed as a percentage.

*Personal:* Telecom Personal S.A.

*Pesification:* Modification of the exchange rate by the Argentine government pursuant to the Public Emergency Law.

*Platform:* The total input, including hardware, software, operating equipment and procedures, for producing (production platform) or managing (Management platform) a particular service (service platform).

*Presubscription of Long-Distance Service:* The selection by the customer of international and domestic long-distance telecommunications services from a long-distance telephone service operator.

*Price Cap:* Rate regulation mechanism applied to determine rate discounts based on a formula made up by the U.S. Consumer Price Index and an efficiency factor. The mentioned factor was established initially in the List of Conditions and afterwards in different regulations by the SC.

*Privatization Regulations:* The Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees.

*Public Emergency Law:* The Public Emergency and Foreign Exchange System Reform Law No. 25,561 adopted by the Argentine government on January 6, 2002, as amended by Law No. 25,790, Law No. 25,820, Law No. 25,972, Law No. 26,077, Law No. 26,204, Law No. 26,339, Law No. 26,456, Law No. 26,563, Law No. 26,729, Law No. 26,896 and Law No. 27,200. Among others, the Public Emergency Law grants the PEN the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market and to renegotiate public service agreements.

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



Table of Contents

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

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

*Satellite:* Satellites are used, among other things, for links with countries that cannot be reached by cable to provide an alternative to cable and to form closed user networks.

*SBT (Servicio Básico Telefónico):* Basic Telephone Service.

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

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

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

*Service Provider:* The party that provides end users and content providers with a range of services, including a proprietary, exclusive or third-party service center.

*SMS (Short Message Service):* Short text messages that can be received and sent through GSM-network connected mobile phones. The maximum text length is 160 alpha-numerical characters.

*Sofora:* Sofora Telecomunicaciones S.A.

*Southern Region:* See *Northern Region*.

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

*STM (Servicio Telefónico Móvil):* Mobile Telephone Service.

*Switch:* These are used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

*TDMA (Time Division Multiple Accesses):* A technology for digital transmission of radio signals between, for example, a mobile handset and a radio base station. TDMA breaks signals into sequential pieces of defined length, places each piece into an information conduit at specific intervals and then reconstructs the pieces at the end of the conduit.

*Telco S.p.A.:* A joint company made up of the Generali group, Intesa San Paolo S.p.A., Mediobanca S.p.A. and Telefónica, S.A. (of Spain).

*Telecom Argentina USA:* Telecom Argentina USA, Inc.

*Telecom Italia:* Telecom Italia S.p.A.

*Telecom Italia Group:* Telecom Italia and its consolidated subsidiaries.

*Telefónica:* Telefónica de Argentina S.A.

*Telintar:* Telecomunicaciones Internacionales de Argentina Telintar S.A.

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

*TLRD (Terminación Llamada Red Destino):* Termination charges from third parties mobile networks.

Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

*Transfer Date:* November 8, 1990, the date on which Telecom Argentina commenced operations upon the transfer from the Argentine government of the telecommunications system in the Northern Region of Argentina that was previously owned and operated by ENTel.

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

*UNIREN (Unidad de Renegociación y Análisis de Contratos de Servicios Públicos):* Renegotiation and Analysis of Public Services Contracts Division.

GLOSSARY OF TERMS

TELECOM ARGENTINA S.A.

Table of Contents

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

*Value Added Services (VAS):* Services that provide a higher level of functionality than the basic transmission services offered by a telecommunications network such as video streaming, Personal Video , Nube Personal (Cloud services), M2M (Machine to Machine communication), social networks, Personal Messenger , content and entertainment (SMS subscriptions and content, games, music, etc.), MMS and voice mail.

*VDSL:* Very high bit rate Digital Subscriber Line.

*W de Argentina Inversiones:* W de Argentina Inversiones S.A.

*WAN (Wide Area Network):* A private network that covers a wide geographic area using public telecommunications services.

*Wi-Fi:* A service for mobile Internet connection and high-speed access.

*Wi-Max (Worldwide Interoperability for Microwave Access):* A technology that allows mobile access to Broadband telecommunications networks. It is defined by the Wi-Max Forum, a global consortium formed by major companies in the field of fixed and mobile telecommunications, which has the purpose to develop, test and promote the interoperability of systems.

Table of Contents

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**Selected Financial Data**

The following table presents our summary financial data for each of the years in the five-year period ended December 31, 2015.

The selected consolidated income statement data for the years ended December 31, 2015, 2014 and 2013 and the selected consolidated financial position data as of December 31, 2015 and 2014 have been prepared in accordance with IFRS as issued by the IASB ( IFRS ) and have been derived from our Consolidated Financial Statements included elsewhere in this Annual Report. The selected consolidated income statement data for the years ended December 31, 2012 and 2011 and the selected consolidated financial position data as of December 31, 2013 and 2012 have been prepared in accordance with IFRS and have been derived from our consolidated financial statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 included in our Annual Report on Form 20-F for the year ended December 31, 2013, filed on April 14, 2014. The selected consolidated financial position data as of December 31, 2011 prepared in accordance with IFRS have been derived from our consolidated financial statements as of December 31, 2012 and 2011 and for the years then ended included in our Annual Report on Form 20-F for the year ended December 31, 2012, filed on April 15, 2013.

The mandatory adoption of IFRS for public companies in Argentina was effective for fiscal years beginning January 1, 2012. Therefore, the consolidated financial statements as of December 31, 2011 for filing with the CNV were prepared in accordance with Argentine GAAP, which differs in certain respects from IFRS. According to the CNV regulations, financial statements under IFRS for the year 2011 were presented as additional information to the consolidated financial statements prepared under Argentine GAAP.

## Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

Our Consolidated Financial Statements and the financial information included elsewhere in this Annual Report have been prepared on historical basis in accordance with IFRS. Based on the assessment required under IAS 29, the Company concluded that Argentina's economy should not be considered hyperinflationary in the years presented. However, in recent years inflation rates in Argentina have increased and remain relatively high. According to official statistics published by the INDEC, the Argentine wholesale price index increased by 12.7% in 2011, 13.1% in 2012, 14.8% in 2013, 28.3% in 2014 and 12.6% in the period January-October 2015 (last available data). See Risk factors Risk Factors Relating to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins, Item 5 Operating and Financial Review and Prospects Economic and Political Developments in Argentina and Note 1.e) to the Consolidated Financial Statements.

You should read the information below in conjunction with our Consolidated Financial Statements and the notes thereto, as well as Presentation of Financial Information and Item 5 Operating and Financial Review and Prospects.

PART I - ITEM 3 KEY INFORMATION    SELECTED FINANCIAL  
DATA

TELECOM ARGENTINA S.A.

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

	2015	2014	2013	2012	2011
	(P\$ million, except per share and per ADS data in P\$)				
<b>INCOME STATEMENT DATA</b>					
Total revenues and other income	40,540	33,388	27,350	22,196	18,528
Operating expenses (without depreciation and amortization)	(29,674)	(24,686)	(19,786)	(15,626)	(12,535)
Operating expenses - depreciation and amortization	(4,438)	(3,243)	(2,873)	(2,612)	(2,158)
Gain/(Loss) on disposal of PP&E and impairment of PP&E	(199)	(16)	(173)	8	22
<b>Operating income</b>	<b>6,229</b>	<b>5,443</b>	<b>4,518</b>	<b>3,966</b>	<b>3,857</b>
Other, net (1)	(1,102)	253	528	229	80
Income tax expense	(1,692)	(1,967)	(1,792)	(1,463)	(1,395)
<b>Net income</b>	<b>3,435</b>	<b>3,729</b>	<b>3,254</b>	<b>2,732</b>	<b>2,542</b>
Other Comprehensive Income, net of tax	257	243	133	91	27
<b>Total Comprehensive Income</b>	<b>3,692</b>	<b>3,972</b>	<b>3,387</b>	<b>2,823</b>	<b>2,569</b>
<i>Total Comprehensive Income attributable to Telecom Argentina</i>	<i>3,580</i>	<i>3,837</i>	<i>3,285</i>	<i>2,745</i>	<i>2,532</i>
<i>Total Comprehensive Income attributable to Non-controlling Interest</i>	<i>112</i>	<i>135</i>	<i>102</i>	<i>78</i>	<i>37</i>
Number of shares outstanding at year-end (in millions of shares) (2)	969	969	969	984	984
Net income per share (basic and diluted) (3)	3.51	3.79	3.27	2.73	2.55
Net income per ADS (4)	17.56	18.95	16.35	13.64	12.76
Dividends per share (5)	0.83	1.24	1.03	0.82	0.93
Dividends per ADS (6)	4.15	6.20	5.11	4.10	4.65
<b>FINANCIAL POSITION DATA</b>					
Current assets	11,492	6,393	9,751	6,986	5,450
PP&E and intangible assets	25,622	19,140	12,745	10,549	9,735
Other non-current assets	1,351	784	634	274	134
<b>Total assets</b>	<b>38,465</b>	<b>26,317</b>	<b>23,130</b>	<b>17,809</b>	<b>15,319</b>
Current liabilities	16,914	9,097	9,050	5,883	5,519
Non-current liabilities	3,941	2,451	2,029	1,768	1,635
<b>Total liabilities</b>	<b>20,855</b>	<b>11,548</b>	<b>11,079</b>	<b>7,651</b>	<b>7,154</b>
<b>Total equity</b>	<b>17,610</b>	<b>14,769</b>	<b>12,051</b>	<b>10,158</b>	<b>8,165</b>
<i>Equity attributable to Telecom Argentina</i>	<i>17,194</i>	<i>14,418</i>	<i>11,783</i>	<i>9,959</i>	<i>8,021</i>
<i>Non-controlling Interest</i>	<i>416</i>	<i>351</i>	<i>268</i>	<i>199</i>	<i>144</i>
Total Capital Stock (7)	984	984	984	984	984

(1) Other, net includes Finance income and expenses.

(2) Number of ordinary shares outstanding at year-end (as of December 31, 2015, 2014 and 2013 excludes treasury shares).

- (3) Calculated based on the weighted average number of ordinary shares outstanding during each period (969,159,605 for the years 2015 and 2014, 978,939,079 shares for the year 2013, and 984,380,978 shares for the years 2012 and 2011).
- (4) Calculated based on the equivalent in ADSs to the weighted average number of ordinary shares outstanding during each period (193,831,921 ADSs for the years 2015 and 2014, 195,787,816 ADSs for the year 2013 and 196,876,196 ADSs for the years 2012 and 2011).
- (5) The dividends approved by the General and Ordinary Shareholders Meeting on April 29, 2015 represented a dividend per share of P\$0.83, which translated into U.S. dollars using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available amounts to US\$0.09.
- (6) The dividends approved by the General and Ordinary Shareholders Meeting on April 29, 2015 represented a dividend per ADS of P\$4.15, which translated into U.S. dollars using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available amounts to US\$0.46.
- (7) Ordinary shares of P\$1 of nominal value each.



Table of Contents**OTHER SELECTED DATA**

	2015	2014	2013	2012	2011
Number of installed fixed lines (thousands)(1)	4,904	4,763	4,700	4,851	4,793
Number of fixed lines in service (thousands)(2)	4,043	4,093	4,124	4,128	4,141
Fixed lines in service per 100 inhabitants(3)	19	19	19	20	20
Lines in service per employee (4)	371	370	375	371	373
ARBU (in P\$/month) (national + international)	67.7	57.4	52.5	48.2	45.7
Fixed Internet access lines (thousands)	1,814	1,771	1,707	1,629	1,550
Arnet subscribers (thousands)	1,791	1,749	1,687	1,622	1,540
ARPU ADSL (access + ISP) (in P\$/month)	207.4	153.0	124.7	102.3	87.0
Mobile subscribers in Argentina (thousands)	19,656	19,585	20,088	18,975	18,193
Subscribers at year-end per employee (4)	4,005	3,950	3,897	3,612	3,774
ARPU (in P\$/month)	91.5	74.2	66.8	57.7	51.4
Mobile subscribers in Paraguay (thousands)(5)	2,546	2,481	2,420	2,301	2,149
Subscribers at year-end per employee(4) (6)	6,225	6,159	5,696	5,226	4,945
ARPU (in P\$/month)	46.5	47.9	34.6	27.5	26.4
Telecom Group Headcount(7)	16,224	16,416	16,581	16,808	16,346

- 
- (1) Reflects total number of lines available in Switches.
- (2) Includes lines customers, own usage, public telephony and ISDN channels.
- (3) Corresponds to the Northern Region of Argentina.
- (4) Excluding temporary employees, if any.
- (5) Including Wi-Max Internet customers.
- (6) Excluding Wi-Max Internet customers.
- (7) Including temporary employees, if any.

**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, 2011	4.30	3.97	4.15	4.30

Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

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
Year Ended December 31, 2015	13.04	8.64	9.45	13.04
Month Ended October 31, 2015	9.55	9.43	9.49	9.55
Month Ended November 30, 2015	9.69	9.56	9.63	9.69
Month Ended December 31, 2015	13.40	9.70	11.41	13.04
Month Ended January 31, 2016	13.96	13.20	13.65	13.96
Month Ended February 29, 2016	15.80	14.13	14.85	15.80
Month Ended March 31, 2016	15.80	14.39	14.95	14.70
April 2016 (through April 26, 2016)	14.79	14.05	14.41	14.31

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

Sources: *Banco de la Nación Argentina*

On April 26, 2016, the exchange rate was P\$14.31= US\$1.00.

**Capitalization and Indebtedness**

Not applicable.

**Reasons for the Offer and Use of Proceeds**

Not applicable.

Table of Contents

**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**

A substantial majority of our property, operations and customers are located in Argentina, and a portion of our assets and liabilities are denominated in foreign currencies. Accordingly, our financial condition, results of operations and cash flows depend to a significant extent on economic and political conditions prevailing in Argentina and on the exchange rates between the peso and foreign currencies. In the recent past, Argentina has experienced severe recessions, political crises, periods of high inflation and significant devaluation. Argentina has experienced economic growth in the last decade, although it slowed down in 2014 and 2015. 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, in January 2015, Personal entered into a loan with a foreign bank for a total amount of US\$40.8 million. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Debt Obligations and Debt Services Requirements.

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, 2015 the devaluation of the peso against the U.S. dollar was 52.5% (31.1% and 32.5% in the years ended December 31, 2014 and 2013, respectively).

On December 17, 2015, the Macri administration lifted many of the restrictions to access the FX markets and the multiple exchange rate system was unified into a floating rate regime through Communication A 5850. As a result, the value of the peso depreciated significantly against the dollar. On December 31, 2015 the dollar was worth P\$13.04. This measure has permitted almost a total unification of the multiple exchange rate system to be applicable over the commercial and financial transactions in Argentina. See Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina

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

PART I - ITEM 3 KEY INFORMATION RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

monetary, fiscal, and exchange rate policy. If any of these changes takes place we cannot anticipate the impact these could have on the value of the 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.

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. The IPCNu index increased by 11.9% over the last ten months of 2015 (according to last available data) and by 23.9% in 2014. 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. The INDEC estimates that the Argentine wholesale price index increased by 13.1% in 2012, 14.8% in 2013, 28.3% in 2014 and 12.6% in the period January-October 2015 (according to last available data).

On January 8, 2016, President Macri s administration issued Decree No. 55/2016 declaring a state of administrative emergency with respect to the national statistical system and the INDEC until December 31, 2016. During this state of emergency, the INDEC has suspended and will suspend publication of certain statistical data (regarding prices, poverty, unemployment and GDP) until it completes a reorganization of its technical and administrative structure capable of producing sufficient and reliable statistical information.

As a consequence of the mentioned events, the full year 2015 inflation measure for IPCNu index was not disclosed, and according to last available data (October 2015) the index registered an increase of 11.9% over the last ten months. As alternative guidance to IPCNu, the authorities suggested that other measures should be observed, such as those published by the statistical entity of the Buenos Aires City (IPC CABA) and the San Luis Province that registered an increase of 26.9% and 31.6%, respectively.

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 high levels of 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.

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. In the past, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. In that 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

Table of Contents

restrict areas where antennas may be deployed; causing negative impact for the mobile service coverage, which in turn affects our quality of services. Provinces have increased, and may continue to increase, their tax rates, particularly the turnover tax rates, 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.

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.

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

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

The global economic and financial crisis over the last years 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.

## Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

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).

On October 6, 2015 Law No. 27,181 was published in the Official Bulletin, becoming effective as of that date. Law No. 27,181 declares the protection of government stakes in private companies to be in the public interest and prohibits its sale unless previously authorized by at least two-thirds of Congress. See Item 4 Information on the Company Regulatory and Legal Framework Legal Framework *Law No. 27,181 Statement of public interest on the protection of the National Government equity interest which are part of the FGS investment portfolio (Sustainability Guarantee Fund).*

PART I - ITEM 3 KEY INFORMATION RISK FACTORS

TELECOM ARGENTINA S.A.



Table of Contents

Also, 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.

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, 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 level.

Moreover, the growth trend that the Argentine economy has experienced in the most recent years, which slowed down in 2014 and 2015, might be negatively affected by several domestic factors such as an appreciation of the real exchange rate which could affect its competitiveness, reductions and even reversion of a positive trade balance, which, combined with capital outflows could reduce the levels of consumption and investment resulting in greater exchange rate pressure. Additionally, abrupt changes in monetary and fiscal policies or foreign exchange regime could rapidly affect local economic output, while lack of appropriate levels of investment in certain economy sectors could reduce long term growth. 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.

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.

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.

**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, 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 if and how our activities will be affected by such changes.

**Argentina's past fiscal problems and previous default history of Argentina's sovereign debt may negatively affect the macroeconomic environment in which we operate.**

After Argentina's default in 2001, the Government successfully restructured 92% of the debt through two debt exchange offers in 2005 and 2010. Commencing in 2002, holdout creditors filed numerous lawsuits against Argentina in several jurisdictions, including the United States, Italy, Germany and Japan. These lawsuits generally assert that Argentina failed to make timely payments

Table of Contents

of interest and/or principal on their bonds, and seek judgments for the face value of and/or accrued interest on those bonds. Judgments have been issued in numerous proceedings in the United States and Germany, but to date judgment creditors have not succeeded, with a few minor exceptions, in executing on those judgments.

In February 2012, plaintiffs in 13 actions in New York, involving claims for US\$ 428 million in principal, plus interest, obtained a U.S. district court order enjoining Argentina from making interest payments in full on the bonds issued pursuant to the 2005 and 2010 exchange offers ( Exchange Bonds ) unless Argentina paid the plaintiffs in full, under the theory that the former payments violated the pari passu clause in the 1994 Fiscal Agency Agreement (the FAA ) governing those non performing bonds. The U.S. district court order was stayed pending appeals. The Second Circuit Court of Appeals affirmed the so-called pari passu injunctions, and on June 16, 2014 the U.S. Supreme Court denied Argentina's petition for a writ of certiorari and the stay of the pari passu injunctions was vacated on June 18, 2014. Additionally, in 2015, plaintiffs that had obtained pari passu injunctions amended their complaints to include claims that Argentina's servicing of more recently issued BONAR 2024 bonds, as well as all external indebtedness in general, would violate the pari passu clause. The U.S. district court has not ruled on these new claims and discovery among the parties remains ongoing. On October 30, 2015, the U.S. district court issued new pari passu injunctions, substantially identical to the ones already in effect, in 49 additional proceedings, involving claims for over US\$ 2.1 billion under the 1994 FAA, plus billions more in pre- and post-judgment interest. Argentina appealed the decision on November 10, 2015.

During 2014, the Argentine government took a number of steps intended to continue servicing the bonds issued in the 2005 and 2010 exchange offers, which had limited success. Holdout creditors continued to litigate expanding the scope of issues to include payment by the Argentine government on debt other than the Exchange Bonds and the separateness of the BCRA.

The Macri administration engaged in negotiations with holders of defaulted bonds in December 2015 with a view to bringing closure to fifteen years of litigation. Between February and April 2016, the Argentine government entered into an agreement in principle to settle with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts, subject to two conditions: obtaining approval by the Argentine Congress and the lifting of the pari passu injunctions. On March 2, 2016, the U.S. district court agreed to vacate the pari passu injunctions, subject to two conditions: first, the repealing of all legislative obstacles to settlement with holders of defaulted debt securities issued under the FAA, and second, full payment to holders of pari passu injunctions with whom the Argentine government had entered into an agreement in principle on or before February 29, 2016, in accordance with the specific terms of such agreements. On March 31, 2016, the Argentine Congress eliminated the legislative obstacles to the settlement and approved the settlement proposal.

On April 13, 2016, the U.S. Court of Appeals for the Second Circuit reaffirmed the order of Judge Thomas Griesa, lifting the precautionary measures that have so far prevented Argentina from making debt payments to bondholders who had regularized their situation in the 2005 and 2010 exchange offers. On April 18, 2016, the Argentine government successfully completed an issuance of sovereign bonds, for a total amount of US\$16.5 billion. The process of payment to holders of defaulted debt who have accepted the settlement proposal started on April 22, 2016.

There can be no assurance that any new event of default by the Argentine government will not lead to restrictions on Argentine companies' access to financing and funds, limit the actions of Argentine companies in the international markets or cause 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\$1,586 million as of December 31, 2015. Although such bonds are outside the scope of the debt settlement, any new event of default by the Argentine government could negatively affect their valuation and repayment terms. See Note 20 to our Consolidated Financial Statements.

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

The Argentine banking system has experienced several crisis in the past. Among those, the Argentine banking system collapsed in 2001 and 2002, when the Argentine government restricted bank withdrawals and required mandatory conversion of dollar deposits to pesos. From 2005 to 2007, a period of economic growth coupled with relative stability of the country's exchange rate and inflation resulted in the restoration of public confidence, a gradual accumulation of deposits in Argentine

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

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 in short-term time deposits and the sources of medium and long-term funding for financial institutions are currently limited. In 2015, private deposits in pesos rose by 48% year-over-year, helped by the growth in time deposits with a 61% increase, and followed by saving accounts and current account (38%). As a result, interest rates on placements (Private Badlar rate) were in an average rate of 22%. Meanwhile, loans granted in pesos continued expanding but at a slower pace, in comparison with previous years, where personal loans 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, lower sales of devices and the possibility of a higher level of uncollectible accounts or increase the credit risk of the counterparties regarding the Company investments in local financial institutions.

Exchange controls and restrictions on transfers abroad and capital inflows have limited, and could continue limiting, the availability of international credit.

**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.

***Risks Associated with Telecom and its Operations***

**Future regulation policies could affect the Argentine economy as well as the operations of the telecommunications industry**

In Argentina, the telecommunications markets have developed within an increasingly regulated framework in recent years.

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

New regulations such as SC Resolution No. 5/13 regarding the quality of telecommunication services could further increase penalties imposed by the Regulatory Bodies as it sets standards to

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

comply that are high as compared to international standards, especially, considering the difficulties in obtaining municipal authorization to install antennas in the mobile business. 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 could impose increased operation costs, among others.

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.

Further, the new ICT services law, the LAD, which became effective on December 19, 2014 incorporated numerous modifications to the regulatory framework applicable to telecommunications services in Argentina. Since the law requires the enactment of new regulations which to date have not been issued, there is uncertainty regarding how certain aspects, such as the sanctions regime, the provision of infrastructure to other providers and the asymmetries that may be imposed on the dominant operator, among others, will be regulated as well as uncertainty regarding the impact that any new regulations may have on Telecom Argentina and Personal.

In turn, through Decree No. 267/15 a new regulatory body for ICT services (National Authority for Communications or ENACOM ) was created, and some aspects of the Digital Argentina Law (and of the Law of Audiovisual Communication services) were amended, imposing regulatory asymmetries regarding to the development of subscription based broadcasting services to the detriment of the business development of Telecom Argentina and Personal.

Specifically, article 94 of Law No. 27,078 (as amended by Decree No. 267/15), now restricts Telecom Argentina and Personal from providing broadcasting services by subscription, whether through physical and/or radioelectric means, for a period of 2 years that begin on 1 January 2016. This period may be extended for another year by ENACOM.

This temporary restriction covers Basic Telephone Service providers, whose licenses were granted under the terms of Decree No. 62/90 and items 1 and 2 of article 5 of Decree No. 264/98, as well as mobile services providers licensed under the bidding terms and conditions approved by Resolution No. 575/93 of the then Ministry of Economy and Public Works and Services and ratified by Decree No. 1461/93.

Moreover, we cannot rule out new legislative initiatives that contemplate the extension of the restriction period established by Decree No. 267/15.

This regulation puts the Telecom Group at a disadvantage with respect to other providers and could negatively affect the future development of Telecom Argentina's and Personal's operations.

Finally, article 28 of Decree No. 267/15 created the Commission for the Development of the Draft Bill for the Reform, Update and Unification of Laws No. 26,522 and No. 27,078 within the Ministry of Communications. The Commission could further modify the regulatory framework for ICT services in Argentina, causing uncertainty as to the impact any potential modifications might have on the development of Telecom Argentina's and Personal's business and operations, as well as that of its competitors, in the coming years.

**Controls on 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

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.



Table of Contents

providers such as Telecom Argentina. The Public Emergency Law has been subsequently extended through December 31, 2017. See Item 4 Information on the Company Regulatory and Legal Framework Regulatory Framework Renegotiation of agreements with the Argentine government.

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 Renegotiation of agreements with the Argentine government New LOU with the UNIREN.

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

However, 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.

During the second half of 2015, Telecom Argentina modified the rates of SBT of certain fixed clients in accordance with the provisions of the LAD. However, we cannot predict the way the Argentine government or the Regulatory Bodies will interpret the new regulatory framework mechanism regarding adjustment of fixed services. If rate restrictions or controls continue in the fixed services or new restrictions are imposed in non-regulated services, our operating margins may continue being 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.

## Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

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.

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

**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, 2015 *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 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.

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

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

Similarly, Resolution SC No. 25/15 passed on June 11, 2015 awarded to Personal the SCMA 713-723 MHz and 768-778 MHz frequency bands that make up Lot 8 and that were previously pending assignment by the SC. These frequency bands were partially occupied by third parties (broadcasting licensees prior to the public auction). SC Resolutions No. 17/14 and No. 18/14 granted a two-year period for the migration of systems operated in these frequency bands. Personal has informed to the regulator the interference caused by these third parties and has requested state action to halt this situation.

The permanence of such interference and of the subsequent occupation of such frequency bands have a negative impact on the performance of SCMA and may significantly affect investments made for their purchase and projections of planned deployment for their use in the committed terms, such as optimization of the use of other frequency bands acquired jointly to provide the SCMA.

**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.

**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

## Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

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.

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

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 68% owned by Fintech Telecom LLC and 32% owned by W de Argentina Inversiones S.A.

Through their ownership of Sofora and the Shareholders' Agreement between them, Fintech 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 the Shareholders' Agreement provides for the election of our directors and those of Nortel and Sofora and has given W de Argentina Inversiones S.A. 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 may continue to engage in transactions with the shareholders of Nortel and/or 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. Related party transactions of Telecom Argentina which exceed 1% of its shareholders' equity are subject to a prior approval process established by Law No. 26,831 and require involvement of the Audit Committee and/or an opinion of two independent valuation firms as well as subsequent approval by the Board of Directors to verify that the agreement could reasonably be considered to be in accordance with normal and habitual market practice. See Item 7 Major Shareholders and Related Party Transactions Related Party Transactions.

**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 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 consequently would reduce our operating margins.

If such measures are adopted, 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.



Table of Contents

**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, 2015, 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.

The treatment of employment matters under Argentine law incentivizes individuals to pursue employment-related litigation.

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. Certain judicial rulings have created a negative precedent in these matters and could increase our labor costs.

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.

Customers and consumers' trade unions brought up different claims against Personal regarding improper billed charges. See Item 8 Financial Information Legal Proceedings Consumer Trade Union Proceedings. Although Personal has taken actions in order to reduce risks in connection with these claims, we cannot assure that new claims will not be presented in the future.

The Company has sanctions imposed by the Regulatory Bodies for technical reasons, mainly related to the delay in repairing defective lines, installing new lines and/or service failures. The Company has recorded provisions for the amounts of sanctions that it estimates probable. Although sanctions are appealed in the administrative stage, if the appeals are not solved in our favor in administrative or judicial stage or if they are solved for amounts over those recorded, it could have an adverse effect on our financial situation, results of our operations and cash flows. See Note 2 to the Consolidated Financial Statements as of December 31, 2015.

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 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 Bulletin. This new law, among other topics, establishes a Public Record of Employers with Labor Sanctions ( Repsal ) and defines a series of labor and social security infringements as a result of which an employer shall be included in the Repsal.

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

The employers included in the Repsal shall be subject to different types of sanctions, such as: the inability to access public programs, benefits, subsidies or credit from state-owned banks, the inability to enter into contracts and licenses of property owned by the National government, or the inability 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 Repsal 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 Repsal. This new regulation applies both to Telecom and its contractors and subcontractors, who could initiate claims to Telecom for direct or indirect responsibility.

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

**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 creates a sanctions 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 (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 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

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

control and limit the purchase of foreign currency, such as the prior approval of the AFIP for any purchase of foreign currency made by private companies and individuals for saving purposes among others. In addition, the BCRA expanded the controls and measures to make payments abroad accessing the local foreign exchange market, regarding trade payables and financial debt, and also established demanding procedures that must be met to pay certain trade payables with related parties. Although 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.

In addition, starting in February 2012 all import operations of goods and services must be filed and approved in advance by AFIP.

On December 22, 2015 the AFIP published in the Official Bulletin the General Resolution No. 3,823/15 by which the Comprehensive Import Monitoring System (SIMI) was established, replacing the Affidavit of Import Advance (DJAI) leaving with no effect resolutions No. 3,252/12, 3,255/12 and 3,256/12 that regulated over the matter.

SIMI establishes the obligation for importers to submit certain electronic information via AFIP's website. Resolution No. 3,823/15 states that this information is to be made available to the agencies that adhere to SIMI, who will have a period no longer than 10 days to submit their observations. The AFIP will inform the importers of any observations made by the agencies, and importers must present themselves to the agency in the event of a regularization. Once approved, the statements under SIMI shall be valid for 180 days.

Resolution No. 3,823/15 became functional on December 23, 2015. However, DJAI's that had been registered prior to this date remain valid.

While this new measure was created in order to promote competitiveness and facilitate foreign trade, we cannot guarantee that the new procedure would not adversely affect our supply chain and would not negatively impact the import of materials and equipment.

In December 2015, the Macri administration announced certain reforms to the foreign exchange market that are expected to provide greater flexibility and easier access to the foreign exchange market. The principal measures adopted as of the date of this Annual Report include (i) the elimination of the requirement to register foreign exchange transactions in the AFIP's Exchange Transactions Consultation Program (Programa de Consulta de Operaciones Cambiarias), (ii) the elimination of the requirement to transfer the proceeds of new financial indebtedness transactions into Argentina and settle such proceeds through the MULC, (iii) the reestablishment of the US\$2.0 million monthly limit per resident on the creation of offshore assets, (iv) a decrease to 0% (from 30%) of the registered, non-transferable and non-interest-bearing deposit required in connection with certain transactions involving foreign currency inflows, (v) the reduction of the required period that the proceeds of any new financial indebtedness incurred by residents, held by foreign creditors and transferred through the MULC must be kept in Argentina from 365 calendar days to 120 calendar days from the date of the transfer of the relevant amount and (vi) the elimination of the requirement of a minimum holding period (72 business hours) for purchases and subsequent sales of the securities. In addition, on April 21, 2016 the BCRA published Communication A 5955, whereby the limits for access to the MULC for payments of foreign accounts payables related to goods and services were eliminated establishing that starting on the following day access to the market for such payments is unlimited, subject to the compliance of the foreign exchange norms in force. See Item 10 Additional Information Foreign Investment and Exchange Controls in Argentina.

## Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

The Company assumes financial debt and trade payables in foreign currency with suppliers abroad, which require complex approval procedures to access to foreign exchange market to make payments abroad. Moreover, as a result of the payment of the frequency bands awarded to Personal in the Public Auction at the end of 2014 and during June 2015, 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.

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.

PART I - ITEM 3 KEY INFORMATION - RISK FACTORS

TELECOM ARGENTINA S.A.

Table of Contents

**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.

Moreover, pursuant to Argentine Law No. 26,831, Fintech announced on February 24, 2016, its intention to launch a mandatory tender offer in Argentina (OPA) to acquire the remaining Class B shares of Telecom Argentina. The announcement of the OPA was also filed with the SEC. See additional information under Item 7 Major Shareholders and Related Party Transactions Major Shareholders Shareholders of Nortel.

If the tender offer is accepted by many investors, the free float of Telecom Argentina could be reduced and, consequently, the liquidity of our shares could be negatively impacted affecting the market price of Telecom Argentina's shares.

Table of Contents

**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.

At Telecom Argentina's Ordinary, Extraordinary and General Shareholders Meeting held on June 22, 2015, the shareholders approved amendments to Telecom Argentina's corporate purpose to include the provision of Audiovisual Communication Services. Telecom Argentina obtained authorization for the amendments from the AFTIC, the CNV and the General Agency of Corporations (Inspección General de Justicia or IGJ). IGJ registered the amendment to Telecom Argentina's bylaws on September 26, 2015. In addition, at Personal's Extraordinary Unanimous Shareholders Meeting held on November 26, 2015, the shareholders also approved amendments to Personal's corporate purpose to include the provision of Audiovisual Communication Services. The amendment to Personal's bylaws was registered by IGJ on January 25, 2016.

As of December 31, 2015, we had approximately 4 million fixed lines in service. This is equivalent to approximately 19 lines in service per 100 inhabitants in the Northern Region of Argentina and 371 lines in service per employee.

As of December 31, 2015, our Internet business reached approximately 1.8 million Accesses and our mobile business had approximately 19.7 million subscribers in Argentina and approximately 2.5 million subscribers in Paraguay.

*Business Strategy*

In the Telecom Group we focus on growth and innovation 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. The focus of the Group is to do more than merely provide services to our customers within the framework of the digital evolution of the business.

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 operating processes. We view these as key competitive factors for our Company and its long-term corporate sustainability, and we aim to achieve the above by applying the best practices of corporate governance and complying with the laws and regulations applicable to us.

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.

Recently, in response to the growing demand for digital services, we simplified the pricing structure of our products with service packages targeted to different usage profiles, increasing transparency and making it easier for consumers to control their communication costs. The

Table of Contents

composition of the consolidated revenues for 2015 (40% voice, 27% data and 33% Internet) illustrate of the efforts of the Telecom Group to successfully transform the Company into a Digital Telco.

The approval of the LAD in late 2014 presented new challenges for the Telecom Group and, at the same time, business opportunities that were restricted to telecommunication operators due to legal reasons exclusively. In light of this new regulatory context promoting technological convergence and in the preparation of our 2016-2018 Strategic Plan, the Management of the Company has carried out a thorough review of its vision and business strategy to face the new competitive context of the sector and to position the Group in the market of content converging services.

The aspiration of the Telecom Group is to be the leading converging company in the Argentine connectivity market.

The implementation of the new defined strategy will be supported by 3 pillars:

- Increase our share in all market segments (individuals, homes and companies), through triple and quadruple play convergent offers;
- Transform our customers' experience, placing them at the center of our business decisions, thereby making them become the main group of interest or stakeholder;
- Promote operational excellence by adopting international best practices in different business processes and by using the innovation of our human capital and the benefits of the new technology.

During the work performed so far, we identified nine sources of strategic action for the next three years, and specific action plans have been designed for its implementation. These action plans include, among others, the implementation of a new commercial offering, the redesign and modernization of commercial channels, the optimization of cost structure, the deployment of quality and coverage of the network, and the streamlining of the installation and repair processes of network resources. The successful implementation of these strategic initiatives is estimated to add value to the Group.

The new strategy designed to confront the challenges of a competitive market for communications in the Argentine Republic set, in our view, the necessary foundations to achieve, in a sustainable manner, the objectives of continuous improvement of service quality, operational efficiency and market positioning that our stakeholders require, and which will allow the Telecom Group achieve their aspiration of becoming the leading company in the communications industry of our country in the coming years.

**Organizational Structure**

The following chart shows our subsidiaries as of December 31, 2015, and jurisdiction of organization.

Table of Contents

(\*) Dormant entity as of December 31, 2015. On April 21, 2015, the Ordinary, Extraordinary and General Shareholders Meeting of Micro Sistemas (second tranche) approved the modification of its corporate purpose. Micro Sistemas is currently analyzing the business for opportunities in the future.

(\*\*) Personal Envíos S.A. ( Envíos ), a company which develops financial mobile services in Paraguay commenced its operations in January 2015.

**Consolidated Subsidiary Information**

The following table presents information relating to our consolidated subsidiaries for the year ended as of December 31, 2015:

Subsidiary (1)	Activity	Segment	Percentage of Ownership	Percentage of Telecom's Total Revenues and other income (5)
Telecom Personal S.A.	Mobile Services	Personal Mobile Services	99.99	69.21
Núcleo S.A. (2)	Mobile Services	Núcleo Mobile Services	67.50	4.19
Personal Envíos S.A. (3)	Financial Mobile Services	Núcleo Mobile Services	67.50	0.02
Telecom Argentina USA Inc.	International Wholesale Services	Fixed Services	100.00	0.39
Micro Sistemas S.A. (4)		Fixed Services	99.99	
<b>Total</b>				<b>73.81</b>

(1) Personal and Micro Sistemas are incorporated in Argentina, Núcleo and Envíos are incorporated in Paraguay and Telecom Argentina USA is incorporated in the United States.

(2) Interest held indirectly through Personal. The non-controlling interest of 32.50% is held by ABC Telecomunicaciones S.A. (a Paraguayan company).

(3) Interest held indirectly through Núcleo. Envíos commenced its operations in January 2015. The non-controlling interest of 32.50% is held by ABC Telecomunicaciones S.A.

(4) Dormant entity as of December 31, 2015. On April 21, 2015, the Ordinary, Extraordinary and General Shareholders Meeting of Micro Sistemas (second tranche) approved the modification of its corporate purpose. Micro Sistemas is currently analyzing the business for opportunities in the future.

(5) Includes service revenues, equipment sales and other income with third parties.

Our principal executive offices are located at Alicia Moreau de Justo 50, C1107AAB, Buenos Aires, Argentina, telephone number: 54-11-4968-4000.

## Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

Our authorized agent in the United States for SEC reporting purposes is Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19711.

### *Recent Developments*

#### *Change of Telecom Argentina's indirect controlling shareholder*

On March 7, 2016, ENACOM Resolution No. 277 authorized the transfer of Sofora's majority shareholder stake to Fintech Telecom LLC, and on March 8, 2016, the transaction to transfer Telecom Italia Group's 51% stake in Sofora to Fintech was completed. As a result, Fintech Telecom LLC replaced the Telecom Italia Group as the indirect controlling shareholder of Telecom Argentina. See Item 7 Major Shareholders and Related Party Transactions Major Shareholders Shareholders of Nortel.

#### *Telecom Argentina's Board of Directors called for the Annual Shareholders Meeting*

Telecom Argentina's Board of Directors, at their meeting held on March 28, 2016, called an ordinary and extraordinary shareholders meeting to be held on April 29, 2016, to consider among other issues the allocation of Telecom Argentina's retained earnings as of December 31, 2015 (P\$3,403 million) suggested by the Board of Directors to be allocated as follows: (i) P\$3,403 million to the Reserve for Future Cash Dividends and (ii) the delegation of authority to Telecom Argentina's Board of Directors to determine the allocation, depending on the performance of the business, in one or more installments, of an amount up to P\$2,000 million of the Reserve for Future Cash Dividends and its distribution to the shareholders as cash dividends.

#### *Personal Annual Shareholders Meeting*

Personal's ordinary and extraordinary shareholders meeting held on April 14, 2016, approved, among other items, the allocation of P\$2,839 million of retained earnings as of December 31, 2015 to the Reserve for Future Cash Dividends. The shareholders also approved the delegation of authority

Table of Contents

in Personal s Board of Directors to determine the amount, time, terms and conditions for allocating and distributing such reserve as cash dividends.

**History**

Telecom Argentina was created by Decree No. 60/90 of the PEN dated January 5, 1990, and incorporated as Sociedad Licenciataria Norte S.A. on April 23, 1990. In November 1990, its legal name was changed to Telecom Argentina STET-France Telecom S.A. and on February 18, 2004, it was changed to Telecom Argentina S.A.

Telecom Argentina is organized as a corporation (*sociedad anónima*) under Argentine law. The duration of Telecom Argentina is 99 years from the date of registration with the Buenos Aires Public Registry of Commerce (July 13, 1990). Telecom Argentina conducts business under the commercial name Telecom.

Telecom Argentina commenced operations on November 8, 1990 (the Transfer Date ), upon the transfer from the Argentine government of the telecommunications system in the Northern Region previously owned and operated by ENTel. This transfer was made pursuant to the Argentine government s privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees (the Privatization Regulations ), which specified the privatization procedure for ENTel.

The Privatization Regulations provided for:

- the division of the Argentine telecommunications network operated by ENTel into two regions, the Northern Region and the Southern Region of Argentina;
- the granting to Telecom Argentina and Telefónica of non-expiring licenses to provide basic telecommunication services in the Northern Region and Southern Region, respectively;
- the granting to Telintar and Startel, each joint subsidiaries of Telecom Argentina and Telefónica, of non-expiring licenses to provide international long-distance and data transmission, respectively; and
- the transfer by ENTel of substantially all of its assets and certain contracts into Telecom Argentina, Telefónica, Telintar and Startel.

On the Transfer Date, pursuant to the terms and conditions of a transfer contract (the Transfer Agreement ), the Argentine government sold 60% of the common stock of Sociedad Licenciataria Norte S.A. to Nortel, a holding company formed by a consortium of investors including Telecom Italia, among others.

Pursuant to the Privatization Regulations, 10% of Telecom Argentina's common stock was transferred as Class C Shares to a Share Ownership Plan for certain former employees of ENTel and CAT by the Argentine government, and the remaining 30% of Telecom Argentina's common stock was sold to investors, principally in Argentina, the United States and Europe, in an offering completed in March 1992. A portion of the shares in the Share Ownership Plan has been sold in the public market, and the remaining shares resulting from the Share Ownership Plan are being gradually converted into Class B Shares. See Item 6 Directors, Senior Management and Employees Share Ownership Share Ownership Plan.

In 2003, Nortel's common stock was transferred to an Argentine company named Sofora. 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 current 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.

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

Table of Contents

On December 10, 2013 Tierra Argentea completed the transfer to Fintech of (i) Class B Shares of Telecom Argentina, representing 1.58% of the capital stock of such company, and (ii) Nortel's ADRs representing 8% of the aggregate Series B Preferred Shares of Nortel.

On October 25, 2014, Telecom Italia S.p.A. announced the acceptance of an offer made by Fintech to amend and restate the agreement announced on November 14, 2013. Within the frame of this amendment agreement: i) on October 29, 2014 Telecom Italia International N.V. transferred 17% of the capital stock of Sofora to Fintech; ii) it was confirmed that the transfer of the 51% controlling interest in Sofora was subject to the approval of the telecommunications regulatory body (formerly, SC, subsequently, AFTIC and currently, ENACOM).

On October 16, 2015 AFTIC's Resolution No. 491/15 was published in the Official Bulletin, denying the requested authorization for the transfer to Fintech of the controlling interest that the Telecom Italia Group held in Sofora Telecomunicaciones S.A.

Fintech, the Telecom Italia Group, W de Argentina Inversiones S.A., Telecom Argentina and Personal filed an administrative recourse against such Resolution requesting AFTIC to reconsider said Resolution.

In the above mentioned administrative recourse Telecom Argentina also challenged AFTIC Resolution No. 491/15 in relation to certain of its rights as licensee.

On February 17, 2016 Telecom Argentina was notified of ENACOM Resolution No. 64/16 pursuant to which ENACOM partially granted the above mentioned requests revoking the denial in AFTIC Resolution No. 491/15 and deciding to continue the analysis of the transfer of Telecom Italia's interest in Sofora to Fintech.

On February 24, 2016, Telecom Argentina was notified of Fintech's intention to launch a Mandatory Tender Offer (the OPA) resulting from a change of control event for all Class B common shares of Telecom Argentina which are traded on the Buenos Aires Securities Market, or Mercado de Valores de Buenos Aires S.A., promoted and formulated by Fintech Telecom LLC. Additional information regarding the OPA is available in Relevant Facts section of the CNV at [www.cnv.gob.ar](http://www.cnv.gob.ar), and in the EDGAR section (Telecom Argentina) of the SEC in [www.sec.gov](http://www.sec.gov). Unless specifically incorporated by reference herein, the information contained or accessible through such websites should not be considered a part of this Annual Report.

On March 7, 2016, ENACOM Resolution No. 277/16 authorized the transfer of Sofora's majority shareholder stake to Fintech Telecom LLC, and on March 8, 2016, the transaction to transfer Telecom Italia Group's 51% stake in Sofora to Fintech was completed. As a result, Fintech Telecom LLC replaced the Telecom Italia Group as the indirect controlling shareholder of Telecom Argentina.

As of the date of this Annual Report, Sofora's shares belong to Fintech Telecom LLC (68%) and to W de Argentina Inversiones S.A. (32%). Additionally, Fintech has 18,086,059 Class B shares that represent 1.837% of Telecom Argentina's total capital stock. See Item 7 Major Shareholders and Related Party Transactions Major Shareholders Shareholders of Nortel.



**THE BUSINESS**

**Liberalization of the Argentine Telecommunications Industry**

In March 1998, the Argentine government issued Decree No. 264/98, introducing a plan for the liberalization of the Argentine telecommunications industry, (or the Plan ). Decree No. 264/98 provided for the extension of the period of exclusivity with respect to the provision of Basic Telephone Services until sometime between October 8, 1999, and November 8, 1999, depending on the particular region. The Plan also provided for: (i) the immediate liberalization of paid telephone services and (ii) during July 1998, the liberalization of telephone service in rural areas. In addition, the Plan contemplated that in January 1999, data transmission services within the countries included in Mercosur would be open to competition, subject to the following conditions: (i) each of the Mercosur countries enters into agreements providing for the liberalization of these services and establishing similar regulatory bodies and (ii) reciprocity exists between countries with respect to the granting of licenses. Beginning in late 1999, two new operators, formed by independent operators, mobile operators and cable television operators were permitted to offer services. These new operators, together with the existing licensees of Basic Telephone Services, allowed customers to choose from

PART I - ITEM 4 INFORMATION ON THE COMPANY

TELECOM ARGENTINA S.A.

Table of Contents

four operators until the full liberalization of services occurred. The Plan also granted data transmission operators existing before the privatization of ENTel the right to operate domestic and international long-distance services by the end of 2000. Finally, the full liberalization of local, domestic and international long-distance services took place in November 2000.

During the Transition Period (1998-1999), new regulatory obligations were also introduced with respect to quality and service targets applicable to both Telecom Argentina and Telefónica.

As long-distance services were liberalized, competition was introduced by pre-subscription of long-distance service for locations with more than 5,000 clients. Following the introduction of Presubscription of Long-Distance Service, a call-by-call selection service will be installed. These requirements obligated the telephone companies to make significant investments and modifications to their networks.

During 1999, competition in local, national and international long-distance services was established among Telecom Argentina and Telefónica and Compañía Telefónica del Plata (CTP, Movicom Bell South) and Compañía de Telecomunicaciones Integrales S.A. (CTI, now Claro), the two new national operators permitted to offer services by Decree No. 264/98. Some provisions of Decree No. 264/98 and related resolutions were modified by Decree No. 764/00, mainly provisions related to licensing conditions, interconnection and Universal Service. Decree No. 764/00 established the general regulation of licenses and provided that each licensed company was allowed to launch its services in November 2000 when the full liberalization of the telecommunications market began. As of the date of this Annual Report, the main licensees providing local and/or fixed long-distance telephone service are Telmex, Level 3 Communications (formerly Impsat), IPlan, Telecentro, CPS Comunicaciones (Metrotel), Telefónica and Telecom Argentina.

Pursuant to the Plan, the liberalization of public telephone services began. On December 9, 1998, Telecom Argentina was granted (upon the subsequent issuance of SC General Resolution No. 2,627/98) a license to provide public telephone services in the Southern Region.

**General**

As of the date of this Annual Report, we conduct our business through six legal entities, each representing a distinct operating segment. We aggregate these operating segments into three segments Fixed Telecommunications Services ( Fixed Services ), Personal Mobile Telecommunications Services ( Personal Mobile Services ) and Núcleo Mobile Telecommunications Services ( Núcleo Mobile Services ) according to the type of products and services provided and taking into account the regulatory and economic framework under which each entity operates.

The companies we aggregated to create the segments are as follows:

Segment	Consolidated Company / Operating Segment
Fixed Services	Telecom Argentina

	Telecom Argentina USA
	Micro Sistemas (1)
Personal Mobile Services	Personal
Núcleo Mobile Services	Núcleo
	Envíos (2)

---

(1) Dormant entity as of December 31, 2015. On April 21, 2015, the Ordinary, Extraordinary and General Shareholders Meeting of Micro Sistemas (second tranche) approved the modification of its corporate purpose. Micro Sistemas is currently analyzing the business for opportunities in the future.

(2) Envíos commenced its operations in January 2015.

**Fixed Services.** Telecom Argentina owns a local telephone line network, public long-distance telephone transmission facilities and a data transmission network in the Northern Region. Since the market was open to competition, Telecom Argentina expanded its network in the Southern Region of Argentina providing nationwide services. Fixed services are comprised of the following:

- *Basic Telephone Services.* Telecom Argentina provides Basic Telephone Services, including local, domestic and international long-distance telephone services and public telephone

Table of Contents

services. As of December 31, 2015, Telecom Argentina had approximately 4 million of lines in service;

- *Interconnection services.* Telecom Argentina provides interconnection services, which primarily include Access, termination and long-distance transport of calls;
- *Data transmission and Internet services.* Telecom Argentina provides data transmission and Internet services, including traditional Broadband, Internet dedicated lines, private networks, national and international video streaming, transportation of radio and TV signals and videoconferencing services. As of December 31, 2015, Telecom Argentina had approximately 1.8 million Internet subscribers;
- *Information and Communication Technology Services.* Telecom Argentina provides ICT services, datacenter services, telecommunications consulting and value-added solutions;
- *Other telephone services.* Other services provided by Telecom Argentina include supplementary services such as call waiting, call forwarding, conference calls, caller ID, voice mail, itemized billing and maintenance services; and
- *Sale of equipment.*

***Personal Mobile Services and Núcleo Mobile Services.***

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

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

We also provide mobile services in Paraguay through Núcleo, a subsidiary of Personal.

## Edgar Filing: TELECOM ARGENTINA SA - Form 20-F

As of December 31, 2015, Personal had approximately 19.7 million mobile subscribers in Argentina and Núcleo had approximately 2.5 million subscribers in Paraguay.

See Note 28 to our Consolidated Financial Statements and Item 5 Operating and Financial Review and Prospects Years ended December 31, 2015, 2014 and 2013 (B) Results of Operations by Segment for additional information as to our results of operations by segment.

### Fixed Services

Telecom Argentina is the principal provider of Basic Telephone Services in the Northern Region, and since late 1999 has also provided Basic Telephone Services in the Southern Region.

Since November 2000, the telecommunications sector in Argentina is completely open to competition. Our operations are subject to a complex series of laws and regulations. In addition, we are subject to the supervision of the Regulatory Bodies. See Regulatory and Legal Framework Regulatory Framework below.

The Argentine government has taken certain measures that have affected revenues from the services we provide. Since the enactment of the Public Emergency Law in January 6, 2002, the rates charged by Telecom Argentina for fixed line services such as monthly basic charges, public telephone service, domestic, national and international long-distance, installation charges and most of supplementary services (except for lines and equipment maintenance) had been pesified (Regulated Services since the Transfer Date). See Regulatory and Legal Framework Regulatory Framework Rates and Regulatory and Legal Framework Regulatory Framework Renegotiation of Agreements with the Argentine Government. However, during 2015 and 2016 Telecom Argentina informed the Regulatory Authority of the new rates of SBT. See Regulatory and Legal Framework Regulatory Framework Filings of Telecom Argentina under the LAD.

On the other hand, interconnection services, data transmission, Internet services, ICT services and sale of equipment are not regulated services subject to a price cap regulation.

Table of Contents*Telecom Argentina's Telephone Network*

Telecom Argentina's fixed-line telephone network includes installed telephones and switchboards, a network of access lines connecting customers to exchanges and trunk lines connecting exchanges and long-distance transmission equipment. The following table illustrates the deployment of Telecom Argentina's telephone network:

	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Number of installed lines (1)	4,903,700	4,763,336	4,699,254	4,850,554	4,792,530
Net lines installed (during each year)	140,364	64,082	(151,300)	58,024	103,553
Net lines installed cumulative (2)	3,332,736	3,192,372	3,128,290	3,279,590	3,221,566
Number of lines in service (3)	4,042,624	4,093,038	4,123,795	4,127,858	4,141,135
Net (Reductions)/Additions in lines in service for the year	(50,414)	(30,757)	(4,063)	(13,277)	34,053
Net (Reductions)/Additions in lines in service cumulative	2,640,655	2,691,069	2,721,826	2,725,889	2,739,166
Lines in service per 100 inhabitants (4)	19	19	19	20	20
Pending applications (5)	64,093	75,213	91,950	152,210	133,977

- 
- (1) Reflects total number of lines available in Switches.
  - (2) Cumulative net lines installed since the Transfer Date.
  - (3) Includes lines customers, own usage, public telephony and ISDN channels.
  - (4) Corresponds to the Northern Region of Argentina.
  - (5) Corresponds to lines requested by clients, but not yet installed.

**Revenues**

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

The remaining services included in the Fixed Services segment such as data transmission services and Internet services, were not subject to regulation and, as a result, Telecom Argentina was able to set the corresponding rates. Market conditions could limit rate increases.

a) *Retail Residential and Business Customers*

*Monthly Basic Charges.* Telecom Argentina bills a monthly basic charge to its customers. The charge is based on pulses, valued at the price per pulse prevailing during the periods included in the invoice. The number of pulses varies depending on the type of customer. As of December 31, 2015 and 2014 approximately 82% of lines in service were for residential customers and public telephony and approximately 18% were for professional, commercial and government customers. Additionally, due to the regulatory regime, Telecom Argentina is obliged to offer discounts to certain retired individuals and low-consumption residential customers.

*Measured Service Charges.* In addition to a monthly basic charge, Telecom Argentina bills a monthly measured service charge from almost all of its customers, which is based on telephone usage. Measured service is billed at the price per unit of time. Charges for local and domestic long-distance measured service vary with the price per unit of usage. The number of units of usage depends on the time of day, the day of the week, the distance and the duration of calls. During the summer months (December through March), there is a decreased in the consumption due to the fact that many customers are on vacation. Additionally, due to competition, Telecom Argentina offers discounts to customers mainly for domestic long-distance service as semi-flat rate plans that include a set quantity of minutes for a fixed charge.

PART I - ITEM 4 INFORMATION ON THE COMPANY