

TELECOM ARGENTINA SA
Form 20-F
April 15, 2013
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As filed with the Securities and Exchange Commission on April 15, 2013.

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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(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, 2012

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

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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

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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	481,975,958
Class C Ordinary Shares, nominal value P\$1.00 each	370,721

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

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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

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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, 2012. 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, 2012, Telecom Personal S.A., Núcleo S.A., Springville S.A., Telecom Argentina USA, Inc. 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 consolidated subsidiary engaged in the provision of mobile telecommunication services in Paraguay.

Our Consolidated Financial Statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010, and the notes thereto (the "Consolidated Financial Statements") are set forth on pages F-1 through F-66 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 27, 2013.

Our Consolidated Financial Statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010, as included in this report, have been audited by our 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, Telecom USA and Springville, however, maintain their accounting records and prepare their financial statements in Guaraníes, U.S. dollars and Uruguayan pesos, respectively. 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 the year.

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 and references to "P\$", "Argentine Pesos" or "pesos" are to Argentine Pesos. Unless otherwise indicated, we have translated the Argentine Peso amounts using a rate of P\$4.918 = US\$1.00, the U.S. dollar ask rate published by the Banco de la Nación Argentina (Argentine National Bank) on December 31, 2012. On April 12, 2013, the exchange rate was P\$5.15 = US\$1.00.

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

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 3 of this Annual Report.

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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 discussion of 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;
- the impact of the emergency laws and subsequent related laws enacted by the Argentine government;
- regulatory and legal developments; and
- other factors identified or discussed under Item 3 Key Information Risk Factors.

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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 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 and should and other similar expressions are generally intended to identify forward-looking statements.

These statements reflect the current views of the Management of Telecom Argentina S.A. (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;
- inflation, the devaluation of the peso and exchange rate risks;
- restrictions on the ability to exchange pesos into foreign currencies and transfer funds abroad;
- the final results of the contract renegotiation process with the Argentine government regarding the adjustment to our regulated rates in the fixed services;

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- the creditworthiness of our actual or potential customers;
- nationalization, expropriation and/or increased government intervention in companies;
- technological changes;
- the lack of additional mobile frequency bands;
- 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; and
- the effects of increased competition.

Many of these factors are macroeconomic 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.

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 including 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.

Access charge: Amount charged per minute by national operators for the use of their network by operators of other networks.

Access network: The elements that allow the connection of each subscriber to the corresponding local switch. They consist of the termination point, elements of outside plant and specific parts of the local switching equipment that make available the permanent connection from the termination point to the local switch.

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.

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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.

AMBA (Area Metropolitana Buenos Aires): The area of the Federal District (or Buenos Aires city) and greater Buenos Aires (Gran Buenos Aires), which extends to the city of La Plata to the South, the city of Campana to the North, the city of General Rodríguez to the West and the city of Monte Grande to the Southwest.

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 Bankruptcy Law: Law No. 24,522, as amended.

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.

ATM (Asynchronous Transfer Mode): A Broadband switching technology that permits the use of one network for different kinds of information (e.g., voice, data and video).

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

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

Broadcast: 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 BTS: 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.

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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.

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

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

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.

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

CPP (Calling Party Pays): 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.

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.

EDGE (Enhanced Data for GSM Evolution): Technology that increases the data transmission rate of the GPRS standard.

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

FCR: France Cables et Radio S.A.

France Telecom Group: FCR and Atlas Services Belgium S.A., collectively.

February Agreement: An agreement entered into on February 28, 1992 and subsequently ratified by Decree No. 506/92 between the Argentine government and Telecom Argentina. This agreement provides for the reduction of domestic long-distance rates from their then-current level. The reduction became effective on May 1, 1992.

Fiber Optic: A transmission medium that permits extremely high capacities. It consists of a thin strand of glass that provides a pathway along which waves of light can travel for telecommunications purposes.

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.

Frame Relay: A data transmission service using fast protocols based on direct use of transmission lines.

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

FTT Home, 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

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connections are run to the customer; in the case of FTT Home (Fiber to the Home), the fiber connection terminates inside the customer premises.

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.

ICT (Information and communication(s) 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.

IPTV (Internet Protocol Television): The service provides the distribution of television channels over Internet connections using the IP protocol. More than just duplicating a distribution means, IPTV enables interactive services so that the viewer can interact with the show as it is broadcast.

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

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

Local 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.

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

MPM: Best maintenance practices methodology.

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): 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 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.

NGN (Next Generation Networks): A packet-based network able to provide services including telecommunication services and able to make use of multiple Broadband, QoS (Quality of Service)-enabled transport technologies and in which service-related functions are independent from underlying transport-related technologies.

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

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

November Agreement: An agreement between Telecom Argentina and the Argentine government providing for rates to be dollar-based and, at the election of each of Telecom Argentina and Telefónica, adjusted semiannually according to the U.S. consumer price index. The November Agreement was ratified by Decree No. 2,585/91 and became effective on December 18, 1991. Subsequently, in accordance with the Public Emergency Law, these rates were pesified at the exchange rate of US\$1.00 = P\$1.00. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Rates.

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

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.

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

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.

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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 and Law No. 26,729. Among others, the Public Emergency Law grants the executive branch of the Argentine government 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.

Rate Agreement: The November Agreement, as supplemented by the February Agreement. The Rate Agreement, among other things, permits Telecom Argentina to effect aggregate rate reductions required pursuant to the List of Conditions by lowering rates for some or all categories of service, *provided* that the net reductions meet applicable targets.

Rate Rebalancing: The Rate Rebalancing established by Decree No. 92/97, of January 31, 1997, which provides for a significant reduction in domestic and international long-distance rates, an increase in basic telephone charges, the elimination of Free Pulses and an increase in urban rates.

Regulatory Bodies: Collectively, the SC and the CNC.

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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.

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

SCI (Secretaría de Comercio Interior): Secretary of Internal Commerce.

SDH (Synchronous Digital Hierarchy): A hierarchical set of digital transport structures, standardized for the transport of suitably adapted payloads over physical transmission networks.

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.

Springville: Springville S.A.

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

Synchronous: Type of data transmission in which there is permanent synchronization between the transmitter and the receiver.

TDM (Time-Division Multiplexing): A type of digital (or rarely analog) multiplexing in which two or more bit streams or signals are transferred apparently simultaneously as sub-channels in one communication channel, but are physically taking turns on the channel.

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 Assicurazioni Generali S.p.A., Intesa San Paolo S.p.A., Mediobanca S.p.A., Sintonia S.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.

Telefónica de España: Telefónica, S.A. (of Spain).

Telintar: Telecomunicaciones Internacionales de Argentina Telintar S.A.

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

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.

Unbundling: A process that allows telephone carriers (other than Telecom Argentina) to lease the last part of the telephone loop that is to say, the copper wire-cable, connecting Telecom Argentina central station to the user's home, by disconnecting the user from Telecom Argentina terminals and connecting him/her to the telephone carrier's terminals.

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

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: Services that provide a higher level of functionality than the basic transmission services offered by a telecommunications network for the transfer of information among its handsets, which include wired or mobile switched-circuit analog voice communications; direct unrestricted digital point-to-point service at 9,600 bit/s; packet switching (virtual call); direct Broadband analog transmission of TV signals, and supplementary services, such as closed user groups; call waiting; collect calls; call forwarding, and identification of number called. Value Added Services performed by the network, the handsets or the specialized centers include message handling services (MHS) (which can be used, among other things, for commercial documents in predetermined formats); electronic directories listing users, network addressees and terminals; e-mail; fax; teletext; videotext and videotelephone.

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W de Argentina Inversiones: W de Argentina Inversiones S.L.

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.

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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 four-year period ended December 31, 2012.

The selected consolidated income statement data for the years ended December 31, 2012, 2011 and 2010 and the selected consolidated financial position data as of December 31, 2012 and 2011 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 year ended December 31, 2009 and the selected consolidated financial position data as of December 31, 2010 prepared in accordance with IFRS have been derived from our consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 included in our Annual Report on Form 20-F for the year ended December 31, 2011, filed on April 30, 2012. The selected consolidated financial position data as of December 31, 2009 prepared in accordance with IFRS have been derived from our consolidated financial statements as of December 31, 2010 and 2009 and for the years then ended included in our Annual Report on Form 20-F for the year ended December 31, 2010, filed on June 29, 2011.

Our audited consolidated financial statements as of December 31, 2010 and for the year then ended were the first annual audited financial statements that are fully compliant with IFRS, as issued by the IASB. Before December 31, 2010, our consolidated financial statements were prepared in accordance with Argentine GAAP. Our financial statements as of December 31, 2009 and for the year then ended, originally issued under Argentine GAAP have been adjusted to fully comply with IFRS as issued by the IASB, and all of our subsequent audited consolidated financial statements fully comply with IFRS as issued by the IASB.

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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 and 2010 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 years 2011 and 2010 were presented as additional information to the consolidated financial statements prepared under Argentine GAAP.

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.

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

	2012(1) (US\$ millions, except per share and per ADS data in US\$)	2012	2011 (P\$ millions, except per share and per ADS data in P\$)	2010	2009
INCOME STATEMENT DATA					
Total revenues and other income	4,513	22,196	18,528	14,652	12,191
Operating expenses (without depreciation and amortization)	(3,177)	(15,626)	(12,535)	(9,785)	(8,043)
Operating expenses - depreciation and amortization	(531)	(2,612)	(2,158)	(1,712)	(1,545)
Gain on disposal of PP&E	2	8	22	7	13
Operating income	807	3,966	3,857	3,162	2,616
Other, net (2)	47	229	80	(137)	(401)
Income tax expense	(298)	(1,463)	(1,395)	(1,076)	(798)
Net income	556	2,732	2,542	1,949	1,417
<i>Net income attributable to Telecom Argentina</i>	<i>546</i>	<i>2,685</i>	<i>2,513</i>	<i>1,935</i>	<i>1,405</i>
<i>Net income attributable to Noncontrolling Interest</i>	<i>10</i>	<i>47</i>	<i>29</i>	<i>14</i>	<i>12</i>
FINANCIAL POSITION DATA					
Number of shares outstanding at year-end (in millions of shares)	984	984	984	984	984
Net income per share (basic and diluted) (3)	0.55	2.73	2.55	1.97	1.43
Net income per ADS(4)	2.77	13.64	12.76	9.83	7.14
Dividends per share(5)	0.17	0.82	0.93	1.07	
Dividends per ADS(5)	0.83	4.10	4.65	5.35	
Current assets	1,420	6,986	5,450	3,624	2,943
PP&E and intangible assets	2,145	10,549	9,735	8,598	7,839
Other non-current assets	56	274	134	101	77
Total assets	3,621	17,809	15,319	12,323	10,859
Current liabilities	1,196	5,883	5,519	4,510	4,201
Non-current liabilities	360	1,768	1,635	1,302	1,061
Total liabilities	1,556	7,651	7,154	5,812	5,262
Total equity	2,065	10,158	8,165	6,511	5,597
<i>Equity attributable to Telecom Argentina</i>	<i>2,025</i>	<i>9,959</i>	<i>8,021</i>	<i>6,404</i>	<i>5,509</i>
<i>Noncontrolling Interest</i>	<i>40</i>	<i>199</i>	<i>144</i>	<i>107</i>	<i>88</i>
Capital Stock	200	984	984	984	984

(1) Argentine Peso amounts were translated into U.S. dollars using ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) as of December 31, 2012 (P\$4.92 = US\$1.00).

(2) Other, net includes Other income from investments and Finance income and expenses.

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- (3) Calculated based on the weighted average number of ordinary shares outstanding during the period.

- (4) Calculated based on 196,876,196 ADSs, which is equivalent to the weighted average number of ordinary shares outstanding during the period.

- (5) U.S. dollar amount was calculated based on the exchange rate prevailing on the dividend payment date.

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	2012	2011	2010	2009
Number of installed fixed lines (thousands)(1)	4,851	4,793	4,689	4,595
Number of fixed lines in service (thousands)(2)	4,128	4,141	4,107	4,060
Fixed lines in service per 100 inhabitants(3)	21	21	21	21
<i>Lines in service per employee</i>	<i>371</i>	<i>373</i>	<i>379</i>	<i>366</i>
<i>ARBU (in P\$/month) (national + international)</i>	<i>48.2</i>	<i>45.7</i>	<i>42.8</i>	<i>40.9</i>
Fixed Internet access lines (thousands)	1,629	1,550	1,380	1,214
Arnet subscribers (thousands)	1,622	1,540	1,377	1,184
<i>ARPU/ADSL (access + ISP) (in P\$/month)</i>	<i>102.3</i>	<i>87.0</i>	<i>76.1</i>	<i>66.7</i>
Mobile subscribers in Argentina (thousands)	18,975	18,193	16,333	14,475
<i>Subscribers at year-end per employee</i>	<i>3,612</i>	<i>3,774</i>	<i>3,738</i>	<i>3,810</i>
<i>ARPU (in P\$/month)</i>	<i>57.7</i>	<i>51.4</i>	<i>44.4</i>	<i>40.7</i>
Mobile subscribers in Paraguay (thousands)(4)	2,301	2,149	1,878	1,806
<i>Subscribers at year-end per employee</i>	<i>5,226</i>	<i>4,944</i>	<i>4,512</i>	<i>4,251</i>
<i>ARPU (in P\$/month)</i>	<i>31.6</i>	<i>26.3</i>	<i>22.2</i>	<i>19.5</i>
Telecom Group Headcount(5)	16,808	16,346	15,647	15,330

(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) Includes Wi-Max Internet customers.

(5) Includes temporary employees.

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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, 2008	3.45	3.03	3.18	3.45
Year Ended December 31, 2009	3.85	3.49	3.75	3.80
Year Ended December 31, 2010	3.99	3.84	3.92	3.98
Year Ended December 31, 2011	4.30	3.97	4.15	4.30
Year Ended December 31, 2012	4.92	4.30	4.55	4.92
Month Ended October 31, 2012	4.77	4.70	4.73	4.77
Month Ended November 30, 2012	4.84	4.77	4.80	4.84
Month Ended December 31, 2012	4.92	4.84	4.88	4.92
Month Ended January 31, 2013	4.98	4.93	4.95	4.98
Month Ended February 28, 2013	5.05	4.98	5.01	5.05
Month Ended March 31, 2013	5.12	5.05	5.09	5.12
April 2013 (through April 12, 2013)	5.15	5.13	5.14	5.15

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

Sources: Banco de la Nación Argentina

On April 12, 2013, the exchange rate was P\$5.15=US\$1.00.

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

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Risk Factors

This section is intended to be a summary of more detailed discussions contained elsewhere in this Annual Report. The risks described below are not the only ones that we face. Additional risks that we do not presently consider material, or of which we are not currently aware, may also affect us. Our business, results of operations, financial condition and cash flows could be harmed if any of these risks materialize and, as a result, the market price of our shares and our ADSs could decline. You should consider these risks with respect to an investment in Telecom and investments in Argentine corporations that are not normally associated with investments in the securities of issuers in the United States and other jurisdictions.

Risks Relating to Argentina

Overview

Substantially all of our property, operations and customers are located in Argentina, and a portion of our assets and liabilities are denominated in foreign currencies. Accordingly, our financial condition, results of operations and cash flows depend to a significant extent on economic and political conditions prevailing in Argentina and on the exchange rates between the peso and foreign currencies. In 2001 and 2002, the Argentine economy experienced a severe recession as well as a political crisis. The abandonment of dollar-peso parity in 2002 led to the significant devaluation of the peso against major international currencies. Although Argentina has experienced economic growth and political conditions have shown improvement in the last decade, 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 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 Argentina in pesos (our functional currency), any devaluation in the peso may negatively affect the U.S. dollar value of our earnings while increasing, in peso terms, our expenses and capital costs 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 contracts to purchase U.S. dollars at a fixed rate to partially hedge its exposure to foreign currency fluctuations caused by its liabilities denominated in foreign currencies. The Company also has cash and cash equivalents 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.

The Argentine Peso has been subject to significant devaluation in the past and may be subject to fluctuations in the future. In the three-month period ended March 31, 2013, the devaluation of the peso against the U.S. dollar was 4%, according to the exchange rate published by the Banco de la Nación Argentina.

In order to ensure the level of reserves of the Banco Central de la República Argentina (BCRA) that are often used to fulfill payment obligations of public debt, the Argentine government implemented in late 2011 a series of measures aimed at maintaining the level of the BCRA reserves. To that effect, during the last quarter of 2011 and 2012, new measures were implemented to limit the purchase of foreign currency made by private companies and individuals; the need for an authorization of the tax authorities to access the foreign exchange market became required, among other restrictions. As a result, the implied exchange rate in the quotation of Argentine securities that trade in foreign markets and in the local market increased significantly. 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, which could partially or totally reduce the current gap between the exchange rate published by the Banco de la Nación Argentina and the implied exchange rate. We cannot predict how these conditions will affect the consumption of services provided by the Telecom Group or our ability to meet our liabilities denominated in currencies other than the peso. Moreover, we cannot predict whether the Argentine government will further modify its monetary, fiscal, and exchange rate policy and, if so, what impact any of these changes 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 remained relatively high since then.

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The INDEC estimates that the Argentine consumer price increased by 7.7% in 2009, 10.9% in 2010, 9.5% in 2011 and 10.8% in 2012; and the wholesale price index increased 10.0% in 2009, 14.6% in 2010, 12.7% in 2011 and 13.1% in 2012. In the two months ending February 28, 2013, the consumer price index in Argentina increased 1.6% and the wholesale price index increased 2.1%. There is a substantial disparity between the inflation indexes published by the INDEC and those higher estimated by private consulting firms.

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 consumer inflation above 10%, according to the INDEC. If the BCRA issues significant amounts of currency to finance public sector spending, to service public debt, to intervene in the foreign exchange market or to assist any financial institutions in distress, or if the value of the peso cannot be stabilized through fiscal and monetary policies, a significant increase in inflation rates could be expected.

Moreover, high inflation may undermine Argentina's foreign competitiveness in international markets, negatively affecting the level of economic growth, exports, balance of payments and employment. In addition, public sector spending has increased over the past years, which will continue reducing the fiscal surplus causing a fiscal deficit and leading to higher inflation.

Since the majority of our revenues are denominated in pesos, any further increase in the rate of inflation not accompanied by a parallel increase in our prices would decrease our revenues in real terms and adversely affect our results of operations. As discussed below under **Risks Associated with Telecom and its Operations**, Telecom Argentina's ability to increase its regulated rates is subject to approval of regulatory authorities and Personal's ability to increase its rates could also be negatively impacted by the governmental policy of freezing of prices that was extended to non-regulated sectors. We cannot guarantee that any possible rate increase will be sufficient to counter the effect of inflation, and we cannot assure you that the results of any future regulated rate negotiations of Telecom Argentina will be favorable to us and to our financial condition.

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.

The Argentine government has historically exercised significant influence over the economy, and telecommunications companies in particular have operated in a highly regulated environment. Due to the Argentine economic crisis of 2001 and 2002, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. In this context, the CNC adopted new interpretations of applicable regulations and imposed fines on telecommunications companies, particularly incumbent operators such as our company. See **Item 8 Financial Information Legal Proceedings Regulatory Proceedings** for more information. 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. Provinces have increased, and are continuing to increase, their tax rates, particularly the turnover tax rates, resulting in the highest rates in history. Municipal, provincial and federal 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. However, we cannot assure you that the laws and regulations currently governing the economy or the telecommunications industry will not change, that the claims will be resolved in our favor, or that any changes to the existing laws and regulations will not adversely affect our business, financial condition, results of operations and cash flows.

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In particular, in recent years the Argentine government has taken several actions to re-nationalize concessions and public services companies that were privatized in the 1990 s, such as Aguas Argentinas S.A. and Aerolíneas Argentinas S.A. Additionally, in May 2012, Law No. 26,741, established the expropriation of the 51% of the capital stock of YPF S.A. and the 51 % of the capital stock of YPF GAS S.A., which were directly or indirectly owned by Repsol YPF S.A. (Repsol). To date, the Argentine Government has not compensated any of the expropriated investors. These actions had a negative effect on the markets. We cannot provide any assurance that similar actions of the Argentine government will not be extended to other private companies or other sectors in the near future.

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

The global economic and financial crisis in the recent 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, certain governments have responded with

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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 to exercising influence over 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.

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 of financing in capital markets for publicly traded companies.

On April 13, 2011, the Presidential Decree No. 441/11 was published in the Argentine Official Bulletin annulling Article 76(f) of Law No. 24,241, which limited ANSES' voting power to 5% of the company's total voting shares, even if ANSES held a greater ownership position. Consequently, ANSES would be able to exercise the total voting power corresponding to its shares in all resolutions to be adopted at those companies' shareholders meetings where it has share participation, including decisions related to the allocation of retained earnings and the election of directors and Supervisory Committee members, among others.

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

Subsequently, the Secretary of Economic Policy and Development Planning approved Resolution No. 110/12 which assigns the responsibilities, powers and duties set forth in Decree No. 1,278/12 to the National Department of Companies whenever the Government is a shareholder.

In January 2013, a new Capital Market Act (No. 26,831) came into effect, granting new intervention powers to the CNV. See Item 9 The Offer and Listing The Argentine Securities Market New Capital Market Act No. 26,831 .

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

Argentina's economy may contract in the future due to international and domestic conditions.

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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, current global financial instability has impacted and may continue to impact the Argentine economy and cause Argentina a slowdown of the growth rate or could lead a recession generating fiscal deficit and increased unemployment.

Several international economic, social and political factors could affect the global financial markets, such as, among other factors, a growing concern regarding government deficits, governments' abilities to honor their respective sovereign debts, social unrest and general uncertainty about the global economic recovery.

Moreover, the growth trend that the Argentine economy has experienced in the most recent years might be negatively affected by several domestic factors such as an appreciation of the real exchange rate, which could affect its competitiveness, diminishing or even reversing the country's positive trade balance and, if coupled with an increase in capital outflows, might reduce consumption and investment levels as a result of increased pressure on the foreign exchange rates. 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.

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Economic and legal conditions in Argentina could be uncertain.

Although general economic conditions have shown improvement, 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 crises, 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 existing jurisprudence on labor matters and requiring companies to assume increasing responsibility for and assumption of costs and risks associated with utilizing sub-contracted labor and how to calculate salaries, severance payments and social security contributions. Also, there was an increase in claims regarding compensations for work accidents over the cap established by the current relevant legislation. Since we operate in a context in which the governing law and applicable regulations change frequently, it is difficult to predict whether our commercial activities will be affected positively, negatively or at all by such changes.

Substantially all of our operations, properties and customers are located in Argentina, and, as a result, our business is, to a large extent, dependent upon economic conditions prevailing in Argentina. If economic 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.

Argentina's past fiscal problems and the incomplete restructuring of Argentina's sovereign debt may negatively affect the macroeconomic environment.

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

The Argentine government implemented a debt restructuring effort mainly through two debt exchange offers. The first and largest was closed on February 25, 2005 and the second took place in 2010. Nonetheless, a number of bondholders who held out from the exchange offers have initiated legal actions against the Argentine government. In late 2012, further rulings favoring the holdout positions and putting into risk the ability to serve its debt under foreign legislation has exacerbated uncertainties and increased sovereign risk. A judgment against the Argentine government in these pending cases could lead to a default of its public debt and reduce the sources of funding and investment capital and could potentially impact the government's ability to adopt measures that promote economic growth.

After the economic crisis in 2002, the Argentine government has maintained a policy of fiscal surplus. To be able to repay its debt, the Argentine government may be required to continue adopting austere fiscal measures that could adversely affect economic growth.

As of June 30, 2012, the outstanding principal amount of Argentina's public debt was equivalent to US\$175.5 billion (of which approximately 61% was denominated in foreign currency) of which US\$11.1 billion were not presented to the exchange offers and are still pending for restructuring.

There can be no assurance that the Argentine government will not default on its obligations under its bonds if it experiences another economic crisis. A new default by the Argentine government could lead to a new recession, higher inflation, restrictions on Argentine companies to access financing and funds, limit the operations of Argentine companies in the international markets, higher unemployment and social unrest, which would negatively affect our financial condition, results of operations and cash flows.

The Argentine banking system may be subject to instability.

The Argentine banking system collapsed in 2001 and 2002, when the Argentine government restricted bank withdrawals and required mandatory conversion of dollar deposits to pesos. From 2005 to 2007, a period of economic growth coupled with relative stability of the country's exchange rate and inflation resulted in the restoration of public confidence, a gradual accumulation of deposits in Argentine financial institutions, and improved liquidity of the financial system. However, since 2008 certain events like internal conflicts with certain sectors of the economy, the international financial crisis and finally, the increased regulation on the foreign exchange market, decreased depositors' confidence. These events led to a slowdown in the growth of deposits,

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initially increased the dollarization of private deposits and were followed by substantial withdrawals of the dollarized deposits. 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 create uncertainty with respect to the financial system stability.

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

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

Under Argentine law, a shareholder's liability for losses of a company is limited to the value of his or her shareholdings in the company. Under Argentine law, however, shareholders who vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's bylaws (or regulations, if any) may be held jointly and severally liable for damages to such company, to other shareholders or to third parties resulting from such resolution. In connection with recommending any action for approval by shareholders, Telecom Argentina's Board of Directors occasionally obtains and plans to obtain opinions of counsel concerning the compliance of its actions with Argentine law and Telecom Argentina's bylaws (or regulations if any). Although the issue is not free from doubt, 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 noncontrolling 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.

Delays in the attribution and allocation of radio spectrum can adversely affect Argentina's mobile industry.

The SC is the authority responsible for administering the use of radio electric spectrum and, consequently, for the attribution of new segments of frequencies and the reallocation of the existing ones for the mobile service. Additionally, the regulation of administration, management and control of radio spectrum provides for the prior intervention of the CNDC, and for a joint performance with the SC, in certain circumstances, for example, in determining the safeguards designed to prevent the concentration of spectrum and the occurrence of a dominant position. Delays in the allocation of new frequencies, the reallocation of the existing ones and their subsequent auction could affect the quality of services, the future development of the sector and the implementation and commercialization of new advanced services, among others, such as mobile broadband and its applications.

Risks Associated with Telecom and its Operations

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

In accordance with the Public Emergency Law, in January 2002, rates for Basic telephone services and long distance services were converted to pesos and fixed at an exchange rate of P\$1.00=US\$1.00. The rates that Telecom Argentina may charge in the future will be determined by negotiations between Telecom Argentina and the Argentine government. According to the Public Emergency Law, while undertaking these negotiations, the Argentine government must 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 must also consider consumer protection, accessibility of the services and the profitability of public service providers such as Telecom Argentina. The Public Emergency Law has been subsequently extended through December 31, 2013. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Rates.

On March 6, 2006, Telecom Argentina executed a Letter of Understanding (the Letter of Understanding 2006) with the Argentine government pursuant to which Telecom Argentina will be permitted to raise certain rates and incorporate certain modifications to the current regulatory framework. Under the Letter of Understanding 2006, the only agreed-upon adjustments to the rate structure were the rate increases to the termination charge for international incoming calls and the extension of the time bands for peak-hour rates

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applied to local and domestic long distance calls. See Item 4 Information on the Company Regulatory Framework Regulatory Environment Rates.

The Letter of Understanding 2006 contemplated the signing and effectiveness of the Minutes of Agreement of the Renegotiation upon the fulfillment of certain necessary steps. As of the date of this Annual Report, such fulfillment has yet to occur. Although we expect such fulfillment to occur, we cannot guarantee if or when this will happen. We are unable to predict the outcome of the negotiations that are continuing with regard to further rate increases and the rate scheme which will be applied in the future. Moreover, we are unable to predict whether the Argentine government, as a result of the current rate renegotiations, will impose additional conditions or requirements, and if these conditions or requirements are imposed, whether we will be able to satisfy them.

Rate restrictions for regulated services may continue for a number of years and may affect revenues from fixed line and other services. While we intend to continue to strive to control operating costs and capital expenditures and improve productivity, these efforts has not offset the significant decline in profit margins and operating results that resulted from mandatory rate freezing and the increase in costs due to high levels of investment in capital expenditures and higher operating costs.

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. Pursuant to the provisions of Telecom Argentina's List of Conditions as amended by Resolutions SC No. 111/03 and No. 29/04: (i) any reduction of ownership of Nortel in our capital stock to less than 51% without prior approval of the Regulatory Bodies; or (ii) any reduction of ownership of currently common shareholders in the capital stock with voting power of Nortel to less than 51% without prior approval of the Regulatory Bodies, may result in the revocation of Telecom Argentina's telecommunications license.

Nortel owns all of our 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. 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. In addition, the Telecom Italia Group and W de Argentina Inversiones (a company that is part of the Argentine Wertheim Group) are each required to maintain direct ownership of at least 15% of the common stock of Sofora.

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

financial condition, our operations and cash flows.

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

We compete with licensed provider groups, composed of, among others, independent fixed line service providers, mobile and cable operators, as well as individual licensees, some of which are affiliated with major service providers outside Argentina. As of December 31, 2012, more than 1000 licenses for local and/or long distance services, payphones and Value Added Services had been granted since the end of the exclusivity period.

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 responsiveness, functionality, coverage and features of our services. Also, to remain competitive in the mobile telecommunications market, we must enhance our mobile networks by expanding our network infrastructure and extending 3G (and HSPA+) technology and bandwidth in mobile data transmission. In addition, a key factor for

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Personal's competitiveness is to be awarded with new mobile frequency bands. 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 particularly regarding fixed line services and to remain competitive with the quality of our services in both Internet and mobile business. We also expect to continue to devote resources to customer retention and loyalty in such segments.

As a result of the implementation of the Number Portability regulation that took place in March 2012 for the Personal Mobile Service segment, there was an increase in competition among service providers, also there were higher customer retention costs and increased churn amongst high value customers in the Argentine mobile market. This increased competition is expected to continue.

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.

We also expect that the level of competition in our markets will continue to increase in the future, particularly as a result of the emergence of the operator Argentine Satellite Solution Corporation S.A. (ARSAT a company wholly owned by the Argentine Government) which could initially result, among other things, in a decline in governmental agency customers regarding fixed and mobile services due to a potential preference of public entities to hire ARSAT. 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.

Changes in the laws and regulations of the Argentine mobile industry or restrictions on rate increases could adversely affect Personal

The Argentine mobile industry is currently subject to an important set of regulations that has enabled the development of a highly competitive and intense capital expenditure environment. Notwithstanding that, in the last few years several bills were introduced in the Argentine Congress proposing a substantial change through the declaration of the mobile industry as a public service which could result in deeper and specific regulations regarding rates, quality of service, coverage areas or other core aspects of our business. Other bills were also presented in the Congress proposing changes to specific rules that regulate Personal's services, such as changes in billing processes and customer service. In December 2012, a bill proposing that remaining unused credit should be available for 180 days before expiration, achieved Lower Chamber approval and, if adopted by the Senate in 2013, it may become law, which could have an adverse effect on Personal's operations, financial situation, results of operations and cash flows. We cannot assure that similar initiatives will not be proposed in the future and will not obtain the approval of the National Congress.

In addition, in early 2013 the Argentine government adopted certain initiatives in order to reduce current inflation rates, including price agreements with certain non-regulated sectors such as supermarkets and retailers. In this context and taking into account the current situation of the mobile telecommunications market, Personal could not implement the rate increases announced at the end of 2012 (to be effective as from March 2013) for postpaid and cuentas claras customers. Although mobile telephony is a non rate regulated industry, we cannot predict whether current or new factors—including governmental initiatives in order to reduce inflation rates—would negatively impact Personal's ability to apply rate increases, thus negatively affecting the profit margins and the level of cash flows.

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Future allocations of mobile frequency bands may affect the competitiveness of the Argentine mobile industry and could impact Personal's competitive position within it.

Telefónica Móviles Argentina S.A. returned to the Argentine government the frequency bands exceeding an aggregate 50 MHz, as a result of the combination of operations of Unifón and Movicom in 2004, in accordance with the current laws and pursuant to a plan to be subsequently issued. In 2005, the SC issued its plan relating to the return of those frequency bands although it did not stipulate how the returned bands would be reallocated or assigned to other operators.

The launch of the auction to reassign the 850 MHz and 1900 MHz frequency bands returned by Telefónica Móviles Argentina S.A. was postponed several times. Finally, the auction was launched by Resolution No. SC 57/11.

Personal took part in the spectrum auction process and expected to acquire additional spectrum to complete its Spectrum cap throughout Argentina, but, on September 5, 2012, Personal was notified of SC Resolution No. 71, by which, as provided for in Article 10 of the List of Conditions, the auction approved by SC Resolution No. 57/11 was canceled for reasons of opportunity, merit and convenience of the Argentine Government. As part of that process, the CNDC issued an opinion as requested by the SC, by which it recommended against assigning additional frequency bands that were subject to auction to Personal regardless of the cap established by the regulatory authority in order to avoid the risks that such additional spectrum could cause. However, this recommendation was not considered in evaluating Personal's background in the auction nor in the reasons for cancelling the auction. Personal believes that the grounds of this opinion are clearly contrary to the current regulatory framework and to the previous actions of the Government.

By Presidential Decree No. 2426/12 issued in December 2012, the current spectrum and telecommunication license general regulation was modified to allow the SC to allocate spectrum directly to Government organizations (or organizations where the state is the main owner) without proceeding with a public auction as was required before this modification. It also mandates the SC to allocate the spectrum from the recently cancelled auction (which represents approximately 20% of current mobile spectrum available) to Argentine Satellite Solution Corporation S.A. (ARSAT a company wholly owned by the Argentine Government). See Item 4 Information on the Company Regulatory Framework Regulatory Bodies and General Legal Framework for a description of the dispositions of Decree No. 2426/12.

In December 2012 the President announced the launching of a new state owned mobile service branded libre.ar. The business plan has not been presented and details of these operations were not disclosed yet.

The government's dual-role, as both regulator and competitor, represents a significant change in the mobile industry. We cannot assure that it could not open several risks to Personal's business including possible adverse changes in the regulatory framework and the current market rules. The lack of allocation of additional frequency bands is negatively affecting the quality of service of all the Argentine mobile operators and the evolution of the sector. It could also adversely affect Personal's competitive position and may require higher capital expenditures for Personal to continue providing high quality mobile services to its customers. See Item 4 Information on the Company Regulatory Framework Other Regulations Regulations Applicable to PCS Services for a detailed description of Personal's license.

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 mobile handsets will finally not be identified as a health risk.

Although Argentine mobile operators comply with the international security standards established by the World Health Organization and Argentine regulations, which are similar, our mobile business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability. In addition, these concerns may cause regulators and municipalities to impose restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

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Operational risks could adversely affect Telecom Argentina's reputation and our profitability.

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

Telecom Argentina has risk management practices at the highest levels designed to detect, manage and monitor the evolution of these kind of operational risks, and for this purpose it established a Risk Management Committee in September 2012.

However, there is no guarantee that these measures will be successful in effectively mitigating the operational risks that Telecom Argentina 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 Telecom Italia Group and 32% owned by W de Argentina Inversiones.

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

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

Nevertheless, all related parties' transactions were made on an arm's length basis and those which exceed 1% of Telecom Argentina's shareholders' equity are subjected to a prior approval process established by Decree No. 677/01 (replaced since January 28, 2013 by Law No. 26,831) and

requiring 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) and a decline in the population's purchasing power.

In addition to the recategorization process executed in 2012 for Telecom Argentina's nonunionized employees, certain labor organizations have advocated that some of our nonunionized employees should be represented by trade unions. Unions have also requested that we delegate currently outsourced tasks to Company's employees.

If the number of employees covered by trade unions increases or Personal's employees (currently included in the collective bargain agreement of the Argentine Federation of Commercial and Service Employees - FAECyS) are included in the new collective bargain agreement for the mobile industry, this could result in reduced flexibility in our relationship with Personal's employees and increased costs, including the higher compensation that we may need to pay. 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

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salaries or require us to provide additional benefits, which would increase our costs and, among other things, in the absence of an adjustment of regulated rates in our fixed services segments, continue reducing our profit margins.

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

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

The Regulatory Authorities may impose increased penalties on Telecom Argentina and Personal

The Regulatory Authorities have increased the number of cases and the amount of fines applied to Telecom Argentina mainly in connection with alleged delays in the fixed lines installation and maintenance of services. Additionally, the Regulatory Authorities have initiated different administrative procedures against Telecom Argentina and Personal related to temporary interruptions of services caused by different incidents. Lately the Authorities have threatened Telecom Personal with the applications of fines and the obligation to pay compensation to the clients involved. In many of these cases, we believe that the Authorities are misinterpreting of the legal framework of our telecommunication license or exceeding the legal terms of the service provision. Final administrative nor judicial decisions on these cases have not been made yet. We cannot foresee whether the Regulatory Authorities based on the increased number of administrative complaints will seek to apply significant sanctions to Telecom Argentina or Telecom Personal, any of which could have an adverse effect on Telecom Argentina or Personal's operations, financial situation, results of operations and cash flows.

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.

In addition, in recent years, certain changes in the treatment of employment matters under Argentine law have created new incentives for individuals to pursue employment-related litigation in Argentine courts. These changes include holdings that an employee of a contractor or subcontractor may file a direct action against the company contracting the work, that any cap on severance pay in cases of dismissal without cause is unconstitutional, that an employee may bring a civil action in the event of an occupational accident, and that an employee can bring a lawsuit against the employer because of changes in working conditions. Additionally, the Company is 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.

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Also, the Company is subject to various lawsuits initiated by some employees and former employees who claim wage differences caused by the impact of the concepts non-remunerative sums (amounts not subject to social security contributions) and food vouchers over the settlement of items such as overtime, productivity, vacation, supplementary annual salary and other additional benefits provided by the Collective Bargaining Agreement and, in certain cases, have obtained favorable rulings for these claims. Additionally, we cannot assure that after the recategorization process executed by Telecom Argentina in 2012 as a result of the agreements reached with the labor organizations, individual employee claims will not be filed regarding such recategorization process.

In the past, Personal was subject, and currently is 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.

As a result, Telecom Argentina and Personal may face increased risk of employment and commercial litigation. If this occurs, we cannot guarantee that it will not have an adverse effect on our results of operations, financial condition and cash flows, despite the provisions that the Company has recorded to cover from these matters, as it is described in Item 8 Financial Information.

The CNC regulates telecommunications services in Argentina and in its capacity is empowered to apply economic sanctions against licensees for breaches of the current regulatory framework. Recently, there has been a growing trend of imposing sanctions on Telecom Argentina for technical reasons, mainly related to the delay in repairing defective lines and/or installing new lines. In addition, there was an increased number of sanctions on

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Telecom Argentina and Personal regarding service failures. Although penalties are appealed in the administrative stage, if the appeals are not solved in our favor in the administrative or judicial stage, or the penalties imposed by the CNC increased, it could have an adverse effect on our financial situation, results of our operations and cash flows.

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

See Item 8 Financial Information Legal Proceedings Civil, commercial, labor, regulatory, tax and other matters proceedings.

The enforcement of regulations aimed at protecting consumers may have an adverse effect on us.

The Consumer Protection Act No. 24,240 (the Consumer Protection Act) establishes a series of principles and rules for the protection of consumers and users. The Consumer Protection Act 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 Act 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 Civil, commercial, labor, regulatory, tax and other matters proceedings General Proceedings Consumer Trade Union Proceedings.

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

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

In the past, the Argentine government has imposed a number of monetary and currency exchange control measures, including temporary restrictions on the free availability of funds deposited with banks and restrictions or limitations on the access to foreign exchange markets and transfers of funds abroad, including for purposes of paying principal and interest on debt, trade liabilities to foreign suppliers and dividend payments to foreign shareholders. Between the end of 2001 and 2002, the Argentine government implemented a unified exchange market

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(Mercado Único y Libre de Cambios - MULC) with significant regulations and restrictions for the purchase and transfer of foreign currency.

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

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

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In addition, starting in February 2012 all import operations of goods and services must be filed and approved in advance by AFIP. Such procedure could also negatively affect our supply chain, as some raw materials, equipment and handsets are imported by our suppliers.

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.

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 and number of employees. Telecom Argentina has a non-expiring license (the License) to provide fixed-line telecommunications services in Argentina, and it also provides other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and Internet services. Through our subsidiaries, we also provide mobile telecommunications services and international wholesale services.

As of December 31, 2012, we had approximately 4.1 million fixed lines in service. This is equivalent to approximately 21 lines in service per 100 inhabitants in the Northern Region of Argentina and 371 lines in service per employee.

As of December 31, 2012, our Internet business reached approximately 1.6 million accesses and our mobile business had approximately 19.0 million subscribers in Argentina and approximately 2.3 million subscribers in Paraguay.

Business Strategy

The Telecom Group pursues a business strategy focused on increasing its profitability and maximizing value generation for its customers, shareholders, employees and the broader community it serves. In order to promote the achievement of its goals in a sustainable and consistent manner, the Telecom Group develops business plans according to the telecommunications market and macroeconomic environment and invests in products and services innovation aimed at improving its customers' user experience by adding content, interactivity and convenience to communication.

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

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

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

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

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

For the corporate segment, we integrate communication solutions with information technology services by providing virtual access to applications and platforms at our datacenters.

We maintain affordable prices commensurate with the market's purchasing power, focusing on achieving our revenue growth by expanding and developing our customer base and by offering new services and products. We simplified our price structure by developing service packages targeted to different consumer profiles, which provide customers with a clear view and control over their communication expenses.

The penetration of communication services in the Argentine market has continued to show sustained growth positioning above the regional average. Our growth rate is currently positioned above the market rate. New market development opportunities could result from a more favorable environment for investment and competition in the sector.

Our mobile operations under the Personal brand, which has been increasing its market share, has successfully addressed Number Portability, implemented in early 2012.

We believe that the strategy implemented by our Management sets the foundations for the Telecom Group to reach its goals of continuous service quality improvement, strengthening its market position and increasing its operating efficiency in light of new regulations for telecommunications and other rules of general application affecting the private sector in Argentina.

Organizational Structure

The following chart shows our subsidiaries as of December 31, 2012, and jurisdiction of organization.

(*) Dormant entity as of December 31, 2012.

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Consolidated Subsidiary Information

The following table presents information relating to our consolidated subsidiaries for the year ended as of December 31, 2012:

Subsidiary (1)	Activity	Segment	Percentage of Ownership	Percentage of Telecom s Total Revenues and other income(4)
Telecom Personal S.A.	Mobile Services	Personal Mobile Services	99.99	68.6
Núcleo S.A. (2)	Mobile Services	Núcleo Mobile Services	67.50	3.9
Springville S.A. (2) (3)	Mobile Services	Personal Mobile Services	100.00	
Telecom Argentina USA, Inc.	International Wholesale Services	Fixed Services	100.00	0.2
Micro Sistemas S.A. (3)	Electronic Equipment Sales	Fixed Services	99.99	
Total				72.7

(1) Personal and Micro Sistemas are incorporated in Argentina while Núcleo, Springville and Telecom Argentina USA are incorporated in Paraguay, Uruguay and the United States, respectively.

(2) Interest held indirectly through Personal.

(3) Dormant subsidiary as of December 31, 2012.

(4) 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.

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 19715.

Recent Developments

Administrative complaints in connection with Telecom Personal's service cuts

On March 11, 2013, the CNC notified Telecom Personal of an administrative complaint related to a network incident that took place on March 8, 2013, affecting only the 3G service in Buenos Aires City and some clients of few localities in the North Region of the country. The incident lasted only around 2½ hours.

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Telecom Personal filed its defenses against such penalty procedures, based on the arguments by which such penalties should be released, but, on April 5, 2013, the CNC notified Telecom Personal a Resolution applying a sanction of P\$6 million, and imposing the obligation to repay the sum of P\$30 to each affected customer.

The Management of Telecom Personal, with the advice of their legal counsels, believes that there are solid arguments to file defenses against such penalty. However, it cannot be assured that we will have a favorable result in the administrative stage. Otherwise, we cannot assure what actions the company would take to defend its rights at court.

Additionally, on April 4, 2013, the CNC notified Telecom Personal of an administrative complaint related to a network incident that took place on April 2, 2013, and affected the provision of the services in the City of La Plata, due to the floods resulting from the devastating storm that occurred across the city on that day.

Telecom Personal will file its defenses against such penalty procedure, based on the arguments by which such penalties should be released.

SC Resolution No. 1/13

On April 8, 2013, the SC Resolution No. 1/13 was published in the Official Bulletin, establishing that all mobile operators should guarantee the service provision, even in emergencies or catastrophe situations, in which case the normal service provision should be restored in a maximum term of 1 hour. Mobile operators, must, in all cases, prioritize the access to emergency services in the affected areas. Moreover, Resolution No. 1/13 requires that mobile operators present within 45 days a contingency plan that includes, among other things, an equipment replacement system or redundancy system in order to assure the service continuity. As of the date of this Annual Report, Personal is analyzing the effects that this new resolution could have in its operations, financial situation and cash flows, as well as the actions that could be taken.

Personal Annual Shareholders Meeting

Personal's shareholders, at their meeting held on April 10, 2013, approved, in accordance with the requirements established by Resolution No. 593/11 and No.609/12 (See Item 8 Financial Information Dividend Policy) among other items, the allocation of retained earnings as of December 31, 2012 as follows: (i) the constitution of a Special Reserve for implementation of IFRS according to Resolution CNV No. 609/12 by P\$405 million, (ii) the constitution of a voluntary reserve for the finance of working capital and capital expenditures in Argentina by P\$233 million and (iii) the allocation of P\$1,950 million to the reserve for future cash dividends. The shareholders also approved the delegation of authority in Personal's Board of Directors to determine the amount, time, terms and conditions to allocate the reserve for future cash dividends and the reserve for the finance of working capital and capital expenditures in Argentina.

Telecom Argentina Board of Directors called for the Annual Shareholders Meeting

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Telecom Argentina's Board of Directors, at their meeting held on March 18, 2013, called a shareholders' meeting to be held on April 23, 2013, to consider among other issues: (i) the allocation of Telecom Argentina's non-appropriated retained earnings as of December 31, 2012 as follows: P\$153 million to the legal reserve; P\$351 million to the constitution of a Special Reserve for implementation of IFRS according to Resolution CNV No. 609/12; P\$1,000 million as a Reserve for future dividends in cash; P\$1,200 million to the constitution of a voluntary reserve for investments in own shares and P\$351 million to a voluntary reserve for future capital expenditures; (ii) The election of directors and alternate directors for a three years term; and (iii) The election of members of the Supervisory Committee for the year 2013 and their appointment.

History

Telecom Argentina was created by Decree No. 60 of the executive branch 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 to Nortel, a holding company formed by a consortium of investors including Telecom Italia, among others. In 2003, Nortel's common stock was transferred to an Argentine company named Sofora. As of the date of this Annual Report, Sofora is held 68% by

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the Telecom Italia Group and 32% by W de Argentina Inversiones, a holding company incorporated in the Kingdom of Spain, and a company of the Werthein Group. See Item 7 Major Shareholders and Related Party Transactions Shareholders of Nortel.

Pursuant to the Privatization Regulations, 10% of Telecom Argentina's common stock was transferred 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 in the Share Ownership Plan are being gradually sold in the public market. See Item 6 Directors, Senior Management and Employees Share Ownership Share Ownership Plan.

On the Transfer Date, Telecom Argentina entered into a Management agreement (the Management Agreement) with Telecom Italia and FCR, a subsidiary of France Telecom S.A. (jointly, the Operators). In December 2003, the Telecom Italia Group became the sole operator (the Operator) of Telecom Argentina. In October 2010, the SC decided, through Resolution No. 136, that the figure of the Operator established under the Bidding Terms and Conditions (Decree No. 62/90 as amended) was no longer effective for Telecom Argentina.

Through September 30, 1999, Telecom Argentina provided domestic and international communication services in the Northern Region on an exclusive basis. Commencing in October 1999, the Argentine government implemented a deregulation plan introducing competition into the Basic telephone services market. See Regulatory Framework Liberalization of the Argentine Telecommunications Industry below. The Argentine telecommunications market was opened to full competition beginning in November 2000. As a result, Telecom Argentina now offers services throughout Argentina and competes with Telefónica and with a number of additional local operators.

THE BUSINESS

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	Springville (1) Núcleo
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(1) Dormant entity as of December 31, 2012.

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 services. As of December 31, 2012, Telecom Argentina had approximately 4.1 million lines in service;
- *Interconnection services.* Telecom Argentina provides interconnection services, which primarily include access, termination and long-distance transport of calls;

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- *Data transmission and Internet services.* Telecom Argentina provides data transmission and Internet services, including traditional Broadband and mobile Internet, Internet dedicated lines, private networks, national and international video streaming, transportation of radio and TV signals and videoconferencing services. As of December 31, 2012, Telecom Argentina had approximately 1.6 million Internet accesses;
- *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. Our subsidiary, Personal, provides mobile telephone service throughout Argentina via cellular and PCS networks. Personal's service offerings include:

- *Voice, data and Internet services.* Voice communications, GSM and 3G mobile communications over UMTS / HSPA / HSPA+ networks (including high-speed mobile Internet, content and applications download, multimedia messaging, online streaming, corporate e-mail, social network access and cloud backup services); and
- *Sale of mobile communication devices* (handsets, 3G modems, and tablets).

We also provide mobile services in Paraguay through Núcleo, a subsidiary of Personal. As of December 31, 2012, Personal had approximately 19.0 million mobile subscribers in Argentina and Núcleo had approximately 2.3 million in Paraguay.

See Note 28 to our Consolidated Financial Statements and Item 5 Operating and Financial Review and Prospects Years ended December 31, 2012, 2011 and 2010 Results of Operations by Segment for additional information as to our results of operations by segment.

Fixed Services

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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 of the Argentine government. In addition, we are subject to the supervision of the Regulatory Bodies. See 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 measured service, 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) have been pesified (Regulated Services since the Transfer Date). We cannot predict when the Public Emergency Law will cease to be effective or how these or other government regulations may affect our future revenues. See

Regulatory Framework Rate Regulations below and Item 5 Operating and Financial Review and Prospects Economic and Political Developments in Argentina.

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.

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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, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Number of installed lines (1)	4,850,554	4,792,530	4,688,977	4,595,043	4,442,629
Net lines installed (during each year)	58,024	103,553	93,934	152,414	204,087
Net lines installed cumulative (2)	3,279,590	3,221,566	3,118,013	3,024,079	2,871,665
Number of lines in service (3)	4,127,858	4,141,135	4,107,082	4,060,260	4,010,056
Net lines in service added for the year	(13,277)	34,053	46,822	50,204	92,526
Net lines in service added cumulative	2,725,889	2,739,166	2,705,113	2,658,291	2,608,087
Lines in service per 100 inhabitants (4)	21	21	21	21	21
Pending applications (5)	152,210	133,977	83,984	77,172	67,429
Public phones installed	36,813	40,079	44,846	50,275	58,375

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- (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 are regulated by rules governing our license, which establish maximum prices that can be charged to clients. Telecom Argentina is 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 charges lower prices than the maximum regulated prices for certain of the services offered.

The remaining services included in the Fixed Services segment are not subject to regulation and, as a result, Telecom Argentina is able to set the corresponding rates. Market conditions 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, 2012 approximately 82% of lines in service were for residential customers and public telephony and approximately 18% were for professional, commercial and government customers, while in 2011, approximately 83% of lines in service were for residential customers and public telephony and approximately 17% 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 traveled and the duration of calls. During the summer months (December through March), there is decreased 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.

Local minutes were approximately 10.6 billion in 2012, 11.5 billion in 2011 and 12.2 billion in 2010. During the past three years, despite increased economic activity in Argentina the volume of local minutes has decreased slightly due to the strong growth in mobile telephony and the resulting migration of traffic to mobile service. During 2012, revenues from local traffic continued to increase leveraged by the growth of lines with minutes included in the plan and subscription plans, despite the slight drop in traffic volume. Also, and to adjust the portfolio to customers' needs, new local calling plans were launched to lower-consumption customers.

Domestic long-distance minutes were approximately 2.6 billion in 2012, 2.8 billion in 2011 and 2.9 billion in 2010. Ever since the Northern Region was opened to competition in 1999, Telecom Argentina has maintained its position as the regional market leader for domestic long-distance traffic. During 2012, deploying a similar strategy to that which was adopted for local traffic, we maintained sales of targeted and selective flat-rate plans positioned to maintain average revenues generated by customers.

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In the year ended December 31, 2012 approximately 79% of measured service revenue was generated by residential customers, and approximately 21% was generated by business, professional and government customers and, in 2011, approximately 77% of measured service revenue was generated by residential and professional customers, and approximately 23% was generated by business and government customers.

International Long-Distance Service. International long-distance traffic minutes increased to 237 million in 2012 from 226 million in 2011 and from 213 million in 2010, mainly due to an increase in the MOU (Minutes of Use) of residential customers.

Since 1992, international rates have been reduced annually as a consequence of the application of the Price Cap described in Regulatory Framework Rate Regulations Price Cap. Telecom Argentina also has reduced international long-distance rates in order to compete with the new providers of long-distance calling services.

Installation Charges. Revenues from installation charges consist primarily of fees levied for installation of new fixed lines. Telecom Argentina offers discounts in multiple localities to reduce the rate authorized by the government, with the aim of stimulating demand in those areas. The penetration of fixed-line telephony has been affected by the maturity of the Argentine market.

Public Telephone Services. As of December 31, 2012, there were 36,813 public lines installed of which 2,600 are in the Southern Region. Local and domestic long-distance traffic experienced a systematic reduction as a result of a strong development in the mobile industry in Argentina. As a result, public telephony traffic for 2012 fell to 166 million minutes, from 202 million minutes in 2011 and 247 million minutes in 2010. The traffic in domestic long-distance public telephony was 97 million minutes in 2012, 120 million minutes for 2011 and 139 million minutes for 2010. The traffic in international long-distance public telephony has experienced a fell to 60 million minutes in 2012 from 70 million minutes in 2011 and 68 million in 2010.

Other National Telephone Services. Telecom Argentina provides dedicated lines to businesses. Dedicated lines are dedicated point-to-point leased lines. In addition to installation fees, Telecom Argentina receives revenues from dedicated analog urban/inter-urban lines. These revenues are calculated according to the price for long-distance codes of urban/interurban calls. Additionally, other national telephone services include charges for supplementary services (such as call waiting, call forwarding, conference calls, caller ID, voicemail and itemized billing).

Data Transmission Services. The data services business includes nationwide data transmission services, virtual private networks, symmetric Internet access, national and international signal transport and videoconferencing services. These services are provided mainly to corporations and governmental agencies. Telecom Argentina also provides certain Value Added Services, including electronic standard documents telecommunication software exchange and fax storage and delivery service. The data services business also includes the lease of networks to other providers, telecommunications consulting services, operation and maintenance of telecommunications systems, supply of telecommunications equipment and provision of related services. Corporate data transmission services are provided mainly through frame relay and ATM networks.

During 2012, we maintained our focus on ICT solutions and the sale of data services and dedicated Internet accesses. This strategy is supported by the World Class multi-site network of Datacenters focused on communications, with over 7,000 square meters used to keep computer technology services throughout Argentina. Through this infrastructure, we offer a broad services portfolio including dedicated hosting and housing, connectivity, cloud services which enable our customers to optimize their costs by increasing the security of their information and

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avoiding hardware and software obsolescence issues. All the services are provided with support, security, connectivity and the ability to engage further Management, professional, monitoring, storage and backup services.

In addition, we continued making additional investments at the major data center in Pacheco, consolidating its position as leader in the market and enhancing the level of services supplied. Such investments will enable Telecom Argentina to support business growth in the next few years with the highest market standards.

Internet. Telecom Argentina has been providing residential Internet services under the brand name Arnet since 1998. Telecom Argentina mainly offers this service in the major cities of Argentina. In recent years, Telecom Argentina's Internet service has experienced higher demand and usage in less populated areas of the country. The Internet services include access, Arnet service and Dial-Up. However, during the past several years we have seen a constant decrease in Dial-Up access that has been more than offset by increased Broadband accesses. As a result, Dial-up access represents a marginal percentage of Telecom Argentina's revenues.

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The following table illustrates the evolution of Internet services:

	2012	December 31, 2011	2010
Fixed access lines (1)	1,629,294	1,550,098	1,380,052
Arnet subscribers	1,621,643	1,539,719	1,377,326

(1) Includes accesses in the Northern Region and the Southern Region. Accesses refer to connections to Internet services offered by Telecom Argentina.

The market for Broadband has experienced significant growth in 2010, 2011 and 2012 throughout the country, increasing 17%, 15% and 10%, respectively. Broadband can be delivered through three technologies: cable modem, ADSL and mobile; cable modem and ADSL being the most widely used. In the local market, ADSL connections exceeded the number of cable modem and mobile connections. Telecom Argentina markets its ADSL service through its Arnet brand and in partnership with other ISPs.

During the last five years, Telecom Argentina continued to increase its customer base in line with or exceeding the market's expansion. As of December 31, 2012, we reached approximately 1.6 million accesses. During 2012, our efforts to communicate effectively with our customers and special offers with competitive prices according to segment helped us to maintain the leadership of our products under the brand Arnet.

Continuing the evolution of Internet access services, during the year 2012 Arnet expanded its portfolio by launching High Speed products (20 and 30 Mb).

In November 2011, we launched a value-added broadband access service called Arnet Play, the first video streaming service for residential customers of Telecom Argentina. Throughout 2012 we significantly expanded our selection of available content, providing customers with access to approximately three thousand options, including high-definition content and access to titles from the major Hollywood studios.

Internet revenues include both Internet access services and the provision of Internet service.

A small portion of Internet access services is provided by Telecom Argentina's 0610, 0611 and 0612 services. The 0610 service is provided at rates reflecting up to a 30% discount compared to regular urban rates for connections lasting 30 minutes, depending on the time and day of the connection. After the implementation of an agreement reached with the Argentine government, by the end of fiscal year 2009, Telecom Argentina offered Internet dial-up access to 100% of the users of fixed lines located in its coverage region. Although Internet dial-up service represents a marginal percentage of Telecom Argentina's revenues, we continue to provide this service to a small market where Broadband service is not available.

b) *Corporate Customers*

The large customer segment includes leading companies in the Argentine market as well as the National Government, Provincial Governments and Municipalities. These customers demand cutting-edge technology and solutions tailored to their needs, including voice, data, Internet and Value-Added services.

In response to the constant changes demanded by the market, Telecom Argentina maintained its strategy to position itself as the integrated provider for large customers through the offer of convergence ICT solutions, including fixed and mobile voice, data, Internet, multimedia, ICT, datacenter and application services through a sales consulting Management and specialized and targeted post-sale customer services.

The main solutions and businesses developed during 2012 included:

- Renewal of a contract for the management of 911 emergency calls in a northern province of Argentina. It involves the upgrade of the emergency system software, provision of equipment and a hardware upgrade.
- Telecom Argentina was awarded a major data MPLS (Multiprotocol Label Switching) network, linking 16 major hospitals in the capital and inside a province in the littoral region of Argentina with the headquarters of the Ministry of Public Health. This included training, installation of proprietary applications, attendance control and stock control.
- Telecom Argentina was awarded the MPLS network (data transport mechanism standard) of the branch offices, head office and processing center of the largest state bank in Argentina, with 302 sites throughout the country and 625 links.
- Telecom Argentina was awarded the largest MPLS network of the most important institute of agricultural technology in Argentina, for its branch offices and headquarters network, with 250 sites and Internet of 250Mb.
- Implementation of the project for a 911 public safety system in the littoral region of Argentina.

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Additionally, the following projects are underway and are expected to be completed in 2013:

- implementation and billing of an emergency calls system for a province in the northern region of Argentina. It consists of the installation of an integrated attention center and emergency dispatch to the province, with initial coverage in and around the capital city. Some components of the solution are the installation of optical fiber and radio links for redundant data communications between government agencies.
- installation of a trunked communication network for subways network in metropolitan area.

c) *Wholesale*

Interconnection Revenues. Telecom Argentina collects fees from other operators for interconnection services. These fees primarily include local access, termination and long-distance transport of calls, rentals of network capacity and commissions on calling party pays fees. These fees are payable by mobile operators as well as fixed-line operators.

Additionally, Telecom Argentina remained one of the leading providers of wholesale telecommunications solutions for various fixed and mobile operators, independent operators, local operators, public telephony licensees, cable operators, ISP, TV and radio channels, production companies and other service providers. The services marketed by Telecom Argentina include, among others, traffic and interconnection resources, third-party billing, dedicated Internet access services, transport of video signals in standard definition and high definition, streaming audio and video, dedicated links, backhaul links for mobile operators, Internet Protocol Virtual Private Network and data center hosting services.

Telecom Argentina continued to strengthen its position as a provider of solutions for the broadcasting segment by offering transportation solutions for audio and video signals both as dedicated private links and on the Internet. We provided solutions to cable operators and TV channels for the distribution of video signals. During 2012, we continued to increase the number of clients connected to Telecom Argentina's video matrix located in the city of Buenos Aires.

In 2012 Telecom Argentina was awarded a contract to transport and distribute signals in Open Digital TV (Television Digital Abierta) for ARSAT. Also Telecom Argentina has transmitted The Four Nations Rugby Championship from the places where the events took place to central distribution in the British Telecom Tower in London.

International Long-Distance Service. Telecom Argentina holds a non-expiring license to provide international telecommunications services in Argentina, including voice and data services and international point-to-point leased circuits.

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Revenues from wholesale international long-distance service reflect payments under bilateral agreements between Telecom Argentina and foreign telecommunications carriers, covering virtually all international long-distance calls into or out of Argentina using our network. Revenues from international long-distance service therefore consist mainly of:

- amounts earned from foreign telecommunications carriers for connection to the Argentine telephone network;
- bandwidth capacity under an Indefeasible Right of Use (IRU) basis;
- international point-to-point leased circuits; and
- international data services.

Operating revenues from international long-distance service depend on the volume of traffic, the rates charged to local customers and the rates charged by each party under agreements between the Argentine provider and foreign telecommunications carriers. Settlements among carriers are usually made on a net basis. Incoming traffic with carriers measured in minutes accounted for 676 million minutes in 2012, 727 million in 2011 and 607 million minutes in 2010.

Telecom Argentina is connected to international telecommunications networks mainly through the following submarine Fiber Optic cables: Americas 2 (USA), Columbus 3 (Europe), Atlantis 2 (Brazil Europe), Sea-Me-We (Europe Asia), Bicentenario (Uruguay), Latin American Nautilus (LAN), a company in the Telecom Italia Group, and other minor cables.

In order to meet the growth in our Internet access base, Telecom Argentina has acquired several IRUs on a submarine facility of Latin America Nautilus (LAN) (a subsidiary of Telecom Italia), which connects Argentina with the U.S. (Miami) in a submarine fiber optic ring. These rights, which last for 15 years, allow the interconnection of the IP backbone of Telecom Argentina with IP Transit providers in Miami. Telecom Argentina has also contracted Transit IP en BsAs to ensure better performance regarding regional traffic.

Through our wholly owned subsidiary in the United States, Telecom Argentina USA, Inc., a corporation organized under the laws of the State of Delaware, we were granted an FCC 214 license by the Federal

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Communications Commission, or the FCC, which allows us to provide international long-distance telecommunications services in the United States. Telecom Argentina USA, routes the majority of its traffic through its own switching capabilities. Its business, at the moment, is focused mainly on wholesale long-distance international traffic. Additionally, it serves the retail market through sales of prepaid cards and A.N.I. recognition services (a technology similar to caller ID that allows customer identification of a particular prepaid card). In 2012, Telecom Argentina USA, Inc., continued operating a node of high-definition video in Miami, thus extending the Telecom video matrix to the international market.

Network and Equipment

In line with the previous years, coverage, capacity, quality and availability have been the focus of the development of our network strategy in 2012.

Within this context, we continued the deployment of fiber optic connections to ensure that Broadband availability in each city satisfies our customers' increasing demands. By the end of 2012, over 94% of our customers were served through premises interconnected by fiber optic networks, which ensure a lower cost per bit and increase future availability. For 6% of our customers in small areas where fiber optic service is not available, we provide high-capacity SDH radio links and use the new adaptive modulation IP radios, which permits Ethernet connectivity.

We continued our strategy of having a single transmission backbone for the fixed, mobile, Broadband and mobile Internet and corporate connectivity services. Also, we continued to deploy DWDM on the national long-distance network as the main supplier of transmission capacity in order to avoid the use of SDH equipment. This reduces the number of layers and keeps the network as simple as practicable.

With regard to the fixed access network, we have identified two needs: (i) the need to maintain 100% digitalized TDM lines in operational status, in coordination with the deployment of NGN networks to satisfy the demand for new lines and (ii) the need to reach customers' homes with an increasingly higher capacity. In order to ensure proper TDM equipment operation, we continued with a Service Level Agreement (SLA) with the TDM technology providers, which expire in 2015. Over 25% of our active customers use NGN technology as of the date of this Annual Report.

In response to our customers' need for more bandwidth, we implemented a plan to shorten the loop, which involves the installation of outdoor cabinets with DSLAM of VDSL2 technology and will allow us to provide competitive services. Shortening the loop is a strategic project for Telecom Argentina, as it will provide fixed Broadband customers with world-class performance services, positioning Arnet among the best suppliers in the market. This project not only enhances current Broadband capacity, but also allows us to provide customers with fiber optic technology at even greater speeds. Additionally, it allows us to offer value-added services that require greater bandwidth, such as high-definition videos available from the *Arnet Play* portfolio. Also, the FTTC strategy has continued in areas with saturated copper cabinets and the FTTB strategy has continued in certain major buildings. During 2012, we installed three buildings with FTTB, and one of them was operating in late 2012.

As of December 2012 19 of 31 multiservice network nodes had been installed in the Buenos Aires Metropolitan Area, which include MPLS-TP technology and enable the same connection site to provide various services with high-capacity levels.

Regarding operations, MPM continued to be implemented on the access network. When a cabinet area needs to be restored, MPM helps maintain the improvements achieved over time. In 2012, about 1,400 areas were restored, reaching a cumulative 5,800 restored areas using all the restoration methodologies available.

Work also continued to replace telephone posts. During 2012 we have replaced 40,000 posts (including replacement of wooden posts by others of wood or cement).

Personal Mobile Services and Núcleo Mobile Services

We provide mobile services via cellular and PCS networks through our subsidiaries in Argentina and Paraguay.

Mobile Telecommunication Services in Argentina Personal

The market for mobile telecommunications services in Argentina is characterized by constant growth and intense competition. Operators are generally free from regulation to determine the pricing of services, with the limited exception of calling party pays (CPP) charges for termination of calls originating on a fixed line network. See Regulatory Framework Other Regulations Calling Party Pays CPP. There are currently three mobile operators offering nationwide service. The penetration of mobile service in Argentina has increased from approximately 126.7% of the population as of December 31, 2010, to approximately 134.2% in 2011 and to 139.4% in 2012. This information regarding penetration of mobile service is an estimate, as there are no official

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statistics published in Argentina, and only considers lines serviced by the three operators providing nationwide mobile telecommunications services (i.e., it does not include Nextel).

Service providers in Argentina are making significant capital expenditures in new network infrastructure for the deployment of 3G (and HSPA+) technology, which allows for the higher transmission speeds required for Value Added Services such as data transfer, video calling and Internet browsing.

Our mobile telecommunications services in Argentina are provided through our subsidiary, Personal. We provide mobile services throughout Argentina via STM, SRMC and PCS networks. Personal utilizes GSM and 3G technologies in its networks and primarily offers its services of STM and SRMC services on the 850 MHz frequency band and PCS service on the 1900 MHz frequency band.

Personal's business continues growing. From December 31, 2011, to December 31, 2012, its subscriber base in Argentina grew approximately 4%. As of December 31, 2012, Personal had approximately 19.0 million subscribers compared with approximately 18.2 million subscribers as of December 31, 2011, and approximately 16.3 million subscribers as of December 31, 2010.

a) *Residential and Business Customers*

Personal subscribers are offered a variety of flexible pricing options for mobile services. These options include prepaid, post-paid and mixed plans.

Prepaid Plans. Under prepaid plans, the subscriber pays in advance for telephone calls and Value Added Services using prepaid credit. When the subscriber runs out of credit, he or she can purchase prepaid cards using a prepaid system or can purchase virtual credit on Personal's website, by phone, at ATMs and drugstores, or through authorized agents. Since there are no monthly bills, prepaid plans allow subscribers to communicate with maximum flexibility while maintaining control over their consumption. A subscriber can add credit to the card and make and receive local, national and international calls.

Post-Paid Plans. Personal offers a National Flat Rate post-paid plan and a Local Flat Rate post-paid plan. Post-paid plans include caller ID, voicemail and a personalized greeting, call forwarding, data services, a multimedia personalized greeting, telephone technical support and call waiting. The plans deploy Personal Digital Invoicing, enabling subscribers to view, download and print their invoices from the web. Depending on the plan, and the monthly fee, they might include Value Added Services such as social network access, e-mail or data allowance for browsing the Internet, as well as specific contacts (on-net numbers) that can be contacted by voice or SMS for free.

Under both plans, a subscriber pays a monthly bill consisting of a monthly user fee plus Value Added Services and a charge for minutes used in excess of the amount included in the plan. These plans generally offer a specified number of free minutes per month. Once the free minutes have been used, the subscriber can continue using the mobile service at a set price per minute. The charges for additional minutes will be added to the next month's bill. Under the National Flat Rate Plan, a subscriber can make calls to and from any location within Argentina at a constant rate because the per minute rate includes the local public network, national long-distance and national roaming. Under the Local Flat Rate Plan,

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where the per minute rate includes the Local Public Network and Roaming, a subscriber can make local calls within any locality in the country but calls from one locality to another are charged at an extra rate.

Cuentas Claras . Under the *Cuentas Claras* plans, a subscriber pays a set monthly bill and, once the contract minutes per month have been used, the subscriber can obtain additional credit by recharging the phone card through the prepaid system. Under this plan, a subscriber can use its monthly minutes or its pre-paid credits for Value Added Services, such as social network access, e-mail or data allowance for browsing the Internet, as well as specific contacts (on-net numbers) that can be contacted by voice or SMS on a free basis.

The following table presents information regarding Personal s post-paid, prepaid, *Cuentas Claras* and total mobile subscriber bases for the periods indicated:

			As of December 31,			
	2012	% of Total	2011	% of Total	2010	% of Total
<i>Mobile subscribers:(1)</i>						
Prepaid	12,720,001	67.0	12,414,127	68.2	11,425,761	70.0
Post-paid	2,386,656	12.6	2,178,645	12.0	1,805,521	11.0
<i>Cuentas Claras</i>	3,476,512	18.3	3,138,755	17.3	2,796,116	17.1
Mobile Internet	392,081	2.1	461,950	2.5	305,872	1.9
Total	18,975,250	100.0	18,193,477	100.0	16,333,270	100.0

(1) Mobile subscribers mean total registered and active mobile subscribers at the end of the relevant period. An active mobile subscriber is a mobile subscriber who made or received three phone calls within the last 90 days of such relevant period.

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New products and services. Personal continued to deepen its strategy based in the concept *Cada Persona es un Mundo* Each Person is a World with the launch of various products, promotions and benefits to meet the diverse communication needs of different types of customers. The quality in customer experience was the strategic axis that crossed all the initiatives developed by Personal during 2012.

As part of the implementation of Number Portability in March 2012, Personal anticipated reaching users with transparent information on this new regulatory issue. Commercial offers launched in relation to Number Portability reached not only to new customers who decided to choose Personal, but also to Company subscribers, as part of loyalty actions.

Personal also increased the granting of benefits in recharges and service packages for its customers, optimizing their plans convenience. It also introduced a new benefit for customers with monthly bills, allowing unused minutes in a month to be used in the next month.

This was the year of the consolidation of unlimited Internet service per day, an innovative offer launched by Personal in early 2011. This service increased by approximately 100% customer access to data usage and reduced the digital gap by better informing consumers about data service options.

Furthermore, *Club Personal*, the loyalty program with more than 4.5 million members and over 500 participating businesses, continued to evolve from its base resegmenting, expanding the differential benefits for its members.

In relation to the strategy of contacts with customers, Personal presented a new model of personal assistance in commercial offices around the country, which is based on the experience and education of each customer, to respond to their needs and increase its satisfaction. During 2012, nine sales offices were opened with the new model across the country. Thus, the sales network of Personal reached 65 offices with a presence in several major cities.

Finally, Personal continued its strategy of repositioning its brand, with the realization of the 8th edition of *Personal Fest*, the most important international music festival in Argentina, which attracted more than 40,000 people over two days. This event was broadcast online, reaching more than 500,000 people who enjoyed the festival virtually.

As a result of the strategies implemented during 2012, Personal led the portable market (Portaciones netas) by expanding its market share based on the acquisition of high-value customers, thus increasing the ARPU of all its products.

Personal s ARPU was approximately P\$57.7 per month for 2012 and P\$51.4 per month for 2011.

b) *Wholesale*

International Business. During 2012, Personal continued to position itself as a leader and benchmark in international roaming services, expanding 3G data coverage in order to provide a better user experience to its subscribers. We entered into over 253 data agreements (GPRS/EDGE) reaching over 120 3G launchings of a total of 305 international roaming agreements, which provide service in 155 countries.

We implemented the service *Llamá sin prefijos*, which allows customers to make international roaming calls from their address books as if they were in Argentina without entering the international dialing codes. This simplified international dialing, while increasing customer satisfaction.

Additionally, Personal launched during 2012 the new pricing model *data per day*, by which the client pays a defined fee per day for data consumption in neighboring countries and the U.S. This change provided predictability in spending and encouraged the use of international roaming. Also, we accompanied sponsored events abroad (London Olympics and Personal Rugby Championship) with 2G/3G coverage reinforced in strategic locations and developed dedicated roaming offers.

Finally, Personal expanded the service packs in its portfolio, allowing it to leverage growth in the volume of minutes consumed abroad by user.

Domestic Business. During 2012, Personal continued to strengthen its relationship with operators and suppliers of telecommunication services, Cooperatives Federations and clearing house services suppliers (information distribution centers). We continued to renew contracts with existing operators of such services.

Also in 2012, progress was made in negotiations with Cooperatives to install new sites in their townships in order to achieve or improve mobile coverage in these areas.

Finally, Personal expanded agreements with other operators of resources and facilities, who contributed to the development of our mobile network, with a positive effect in the quality and quantity of the services offered to its customers. Such resources and facilities include data link and transmission, interconnection resources, origination, termination, minute transport, site leases and domestic roaming.

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Personal s Network and Equipment

Personal is the operator of mobile networks at a national level, and uses world-class technology providing GSM and third-generation services.

The mobile network infrastructure and the fixed network infrastructure are complementary. Therefore, the development strategy for Personal s network aims to maximize the synergies of investments of the Telecom Group as an integrated operator group.

To this end, Personal s radio access network is supported by a regional transmission network that is shared with the fixed telephony business. To the extent possible, the switching core shares the facilities with other switches in the Telecom Group, and all data services are supported by the public backbone of the Group.

The access network is in a constant process of improvement, to increase the number of cities covered and to improve the capacity to meet simultaneous customer demands. In order to continuously guide this process, Personal measures relevant parameters and benchmarks its network against those of its competitors.

The 2G network continued growing primarily in terms of capacity to accompany the increase in customer traffic, especially the increase in data traffic as a result of various marketing actions. By the end of 2012, we had over 3,300 2G sites distributed throughout the country.

We continued to deploy a 3G access network that enables a general roll-out of mobile Internet services. This network operates in coordination with our GSM accessibility and is tailored to provide customers with adequate resources for the type of services it demands. As of December 31, 2012 there were more than 2,700 sites.

During 2012, we continued with the plan to replace and modernize equipment in the mobile network. The capacity increase required to satisfy the growing demand for mobile bandwidth is based on a substantial increase in the number of radio base sites, and on the implementation of six sectors technology, that allows a more effective use of the spectrum.

In order to ensure bandwidth availability to address current and future needs, our strategy is to maximize the deployment of fiber optic to the radio bases. In 2012, most mobile long-distance connections were sent over the IP network of the Group.

As to the operation, the MPM began to be used on the mobile network. During 2012, the MPM was used on 26 sites throughout the country. The expansion process is expected to continue during 2013. Also, Personal s mobile network deployment continued, based on the use of sites with low height, on posts of Telecom Argentina or third parties, or on urban roofs. This allows Personal to shorten the average height of the facilities, attending community needs.

Mobile Telecommunications Services in Paraguay Núcleo

We provide nationwide mobile telecommunications services in Paraguay through our subsidiary, Núcleo, under the commercial name of Personal. Núcleo is 67.5% owned by Personal and 32.5% owned by ABC Telecomunicaciones S.A., a Paraguayan corporation. Núcleo has been granted licenses to provide commercial mobile services, Internet access and videoconference and data transmission services in Paraguay.

During 2012, The telecommunications sector in Paraguay showed good performance, with growth levels above 10% for the second year in a row. As of December 31, 2012, Núcleo had approximately a 33% share of the market for mobile telecommunications services in Paraguay (an increase of 1% compared to 2011). The subscriber base increased 7% as compared to the previous year. As of December 31, 2012, Núcleo had 1,872,219 pre-paid subscribers, 260,471 subscribers with the service plan Plan Control, 30,064 post-paid subscribers and 131,580 Mobile Internet subscribers.

Núcleo has changed its logo and launched its new brand image through the campaign *Cada Persona es un Mundo*. The main products offered in this campaign were the bundling of calls, messages and data, targeted to prepaid segment and tailored plans for postpaid and Plan Control subscribers, which allowed them to combine calls, messages and data on a fixed monthly payment.

Núcleo also consolidated its leadership in Mobile Internet based on bundled offers for prepaid customers at very convenient prices. At a strategic level, Núcleo performed retention and loyalty actions for high-value customers mainly through a major campaign to replace handsets.

In addition, Núcleo focused on Number Portability, effective from November 30, 2012, to educate the market about its process and benefits. With portability, a new proposition arose, *Personal Unlimited*, where each

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product or service purchased by customers incorporates an unlimited element to communicate through calls and SMSs to any mobile operator customer.

Núcleo s Network and Equipment

The primary milestone in 2012 was the commencement of the *Dream Paraguay* project, which consists of modernizing the access network of Núcleo and adding a new supplier that will install its equipment during the next three years, based on the MSR (multi-station radio) solution.

Other major developments in 2012 include the following:

Coverage Expansion: During the first quarter of 2012, Núcleo commissioned 22 cell sites in the department of Caaguazú, which added 117 new townships to its GSM network. Apart from these sites, Núcleo completed the installation of another 68 sites in different regions in Paraguay, ending the year with an increase of 17% in the number of cell sites.

Quality and Capacity Improvement: Núcleo expanded its network to address the traffic increase in 2012. In the city of Pedro Juan Caballero, it commissioned 11 new sites, which doubled the number of sites in this township, which has ensured utility quality in an area where spectrum management poses multiple issues, since it is a border city.

3G Network: In early 2012, Núcleo implemented the DC-HSPA+ (Release 8) solution, the latest recommended by the 3GPP (3rd Generation Partnership Project) for 3G networks, being the only operator in Paraguay and the second in South America to provide this solution to its customers.

Core: Núcleo continued to expand its circuit core and package core by upgrading the hardware and software at all network nodes. In order to meet the demand expected due to the implementation of the Number Portability, Núcleo has replaced HLR (Home Location Register – a node that consists of a cell-phone network that stores user data and profiles) in Asunción by another with larger capacity. In this way, Núcleo is completing the replacement of the MSC (Mobile Switching Center – a main node in a cell-phone network responsible for commuting all voice and data calls) in Asunción with a new network called Blade Cluster, which is the latest version of hardware and software launched by Ericsson in the mobile telecommunication market.

VAS: during 2012, Núcleo updated and expanded all its service platforms, largely by implementing the PCRF (Policy Charging Rules Function) node, which enables controlling policies for the use of the 3G network, so that personalized commercial plans could be launched.

Transmission: While expanding the transmission network, Núcleo expanded coverage of its network by providing Internet access services to the Corporate sector. By the end of the first half of 2012, Núcleo added all of Northern and Northwestern Paraguay to its DWDM network, by

commissioning about 970 km of fiber-optic cable of its own, which increased data traffic capacity and service quality in the departments of Concepción, Amambay, San Pedro, Canindeyú and Alto Paraná, which account for 47% of total traffic on the network.

Competition

Fixed Services

Basic Telephony and International Long-Distance Services. Before November 1999, Telecom Argentina held an exclusive license to provide Basic telephone services to the Northern Region. The Argentine telecommunications market has been open to full competition since November 2000. As of the date of this Annual Report, the main licensees providing local and/or fixed long-distance telephone service are Techtel (commercially known as Telmex), Impsat (commercially known as Global Crossing), IPlan, Comsat, Telecentro, Telefónica (principally in the Southern Region) and Telecom Argentina (principally in the Northern Region). Telefónica has the dominant market share for provision of telecommunications service in the Southern Region. Some of these competitors may be better capitalized than us and have substantial telecommunications experience. Accordingly, if economic conditions in Argentina improve and competitors increase their presence in the Northern Region, Telecom Argentina expects that it will face additional pressure on the rates it charges for its services and experience limited loss in market share in the Northern Region.

Internet and Data Services. We face nationwide competition in the Internet service market in Argentina from Telefónica, Gigared, Cablevisión (Fibertel) and Telecentro (providing a triple-play offer), among others. Our data services business faces competition from Telefónica, Comsat, Grupo Telmex Argentina and from several providers of niche data services such as Impsat, IPlan and others.

Mobile Telecommunications Services

Mobile Telecommunications Services in Argentina. The mobile telecommunications market in Argentina has been open to competition since 1993 and was expanded to include PCS services in 1999. During recent years, GSM technology has created intense competition for subscribers among the various service providers, including giving rise to severe pricing pressure, significant handset subsidies and increased sales incentives provided to dealers. The introduction of 3G technology since May 2008 has allowed operators to focus competition on Value Added Services.

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Currently, there are three operators providing nationwide mobile telecommunications services. These three operators are Personal, Telefónica Móviles Argentina and América Móvil. Nextel competes on a limited level, offering trunking telephony services in Buenos Aires and selected cities in the interior, in addition to offering mobile telecommunication services in those cities.

América Móvil, operating in Argentina under the trade name Claro (formerly CTI), is one of the country's largest mobile operators in terms of number of subscribers and has provided STM cellular services in the Northern and Southern Regions outside of the AMBA since 1994 through the 850 MHz band (25 MHz in each region). Claro also holds a 40 MHz license for its PCS services in the AMBA and a 20 MHz license for PCS in each of the Northern and Southern Regions.

Telefónica Móviles, operating in Argentina under the trade name Movistar, is another of the largest mobile operators in Argentina in terms of number of subscribers. Movistar is the result of Telefónica's merger of Unifón and Movicom in 2005. Movistar operates in the AMBA through the 850 MHz band with a total of 37.5 MHz (25 MHz + 12.5 MHz), and a total of 50 MHz (20 MHz + 30 MHz) for PCS. It also holds a total of 80 MHz (40 MHz + 40 MHz) for its PCS licenses for the Northern Region, and a total of 60 MHz (20 MHz + 40 MHz) for its PCS license in the Southern Region. This Southern Region is Unifón's original service area, where it also holds a 25 MHz license for STM. The economic concentration that resulted from Unifón and Movicom's merger exceeded the maximum limit of the 50 MHz of spectrum assignment (for the services of STM-SRMC-PCS and SRCE) permitted by Article 4 of the Annex to Article 1 of Decree 266/1998. In Regulation No. 343/05, regulatory authorities approved the merger on the condition that the resulting entity decreases its spectrum holdings to the permitted levels in accordance with a schedule ending at year-end 2008. Movistar has completed the required decrease in its spectrum.

Nextel Argentina provides trunking telephony and other telecommunications services in Buenos Aires and cities in the interior. Nextel Argentina's service currently focuses on business subscribers in the principal cities of Argentina.

With the introduction of Number Portability in early 2012, competition has intensified. The acquisition and retention of high-value customers continues to be a key factor to Personal's strategy, which is focused on maintaining customer's consumption through the launch of new products and services that enable retention of existing customers and take advantage of the opportunities that Number Portability generates.

See Regulatory Framework Regulatory Environment Decree No. 764/00 for a description of Number Portability and also Regulatory Framework Other Regulations Regulations Applicable to PCS Services for additional details on Personal's license.

Mobile Telecommunications Services in Paraguay. Currently, there are four participants in the mobile telecommunications services market in Paraguay. As of December 31, 2012, Núcleo's major competitor was Tigo (a Millicom International Cellular subsidiary).

REGULATORY FRAMEWORK

Regulatory Bodies and General Legal Framework

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Telecom Argentina and Personal operate in a regulated industry. Regulation not only covers rates and service terms, but also the terms on which various licensing and technical requirements are imposed.

The activities of Telecom Argentina and Personal are supervised and controlled by the CNC, a governmental agency under the supervision of the SC (which is presently supervised by the Ministry of Federal Planning, Public Investments and Services). The CNC is in charge of general oversight and supervision of telecommunications services. The SC has the power to develop, suggest and implement policies, which are applicable to telecommunications services, to ensure that these policies are applied, to review the applicable legal regulatory framework, to approve the frequency band scheme, to act as the enforcing authority with respect to the laws governing the relevant activities, to approve major technical plans and to resolve administrative appeals filed against CNC resolutions, among others.

The principal features of the regulatory framework in Argentina have been created by:

- the Privatization Regulations, including the List of Conditions;
- the Transfer Agreement;
- the Licenses granted to Telecom Argentina and its subsidiaries;

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- the Rate Agreements; and
- various governmental decrees, including Decree No. 764/00, establishing the regulatory framework for licenses, interconnection, universal service and radio spectrum Management.

Núcleo, Personal s Paraguayan controlled company, is supervised by the Comisión Nacional de Telecomunicaciones de Paraguay, the National Communications Commission of Paraguay (CONATEL). Telecom Argentina USA, Telecom Argentina s subsidiary in the United States, is supervised by the Federal Communications Commission (FCC).

Licenses granted as of December 31, 2012

To the Company

As of December 31, 2012, Telecom Argentina has been granted the following non-expiring licenses to provide the following services in Argentina:

- local fixed telephony;
- public telephony;
- domestic and international long-distance telephony;
- domestic and international point-to-point link services;
- domestic and international telex services;
- Value Added Services, data transmission, videoconferencing and transportation of audio and video signals; and

- Internet access.

To the Company's subsidiaries

As of December 31, 2012, the Company's subsidiaries have been granted the following licenses:

- Personal has been granted a non-exclusive, non-expiring license to provide mobile telecommunication services (STM) in the Northern Region of Argentina and data transmission and Value Added Services throughout the country. In addition, Personal owns licenses to provide mobile radio communication services (SRMC) in the Federal District and Greater Buenos Aires areas, as well as a non-expiring license to provide PCS services throughout the country, and it is registered to provide national and international long-distance telephone services; and
- Núcleo has been granted a renewable five-year period license to provide mobile telecommunication services (STM) in Paraguay as well as PCS services in certain areas of that country. In addition, Núcleo has been granted a five-year renewable license to provide Internet services, data transmission and videoconferencing throughout the country.

Radio electric spectrum auction

In May 2011, the SC through Resolution No. 57/11 launched an auction to reassign the 850 MHz and 1900 MHz frequency bands returned by Telefónica Móviles de Argentina S.A. because this company had exceeded its 50 MHz spectrum cap. The SC had postponed the auction of the spectrum, and it was estimated that it would take place in May 2012.

On September 5, 2012, Personal was notified of SC Resolution No. 71/12, by which, as provided for in Article 10 of the List of Conditions, the auction approved by SC Resolution No. 57/11 was canceled for reasons of opportunity, merit and convenience of the Argentine Government.

On December 13, 2012, the PEN, through Decree No. 2,426/12, amended the Regulation on Management and Control Spectrum (See Decree No. 764/00 below), incorporating paragraph 8.5 to Article 8 of that Regulation, establishing: Notwithstanding the provisions of Article 8.1., the Regulatory Authority may assign frequencies directly to National Organizations, State Agencies and Entities majority-owned by the Argentine Government.

Also, the mentioned Decree conferred to Argentine Satellite Solution Corporation S.A. (ARSAT a company wholly owned by the Argentine Government) the authorization for the use of the frequencies involved in the auction approved by Resolution SC No. 57/11.

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The mentioned decree also amended Article 8 of the Regulation for Telecommunications Services Licenses in force, incorporating the following provision: Article 8 bis - Mobile Virtual Network Operator. Those interested in offering mobile services that do not have radio spectrum frequencies assigned for the provision of these services must have the license for telecommunications services and the registration as Mobile Virtual Network Operator. Mobile services operators will be responsible for the services rendered to its customers and are liable for the application of the respective sanction system. The Regulatory Authority may issue the application and interpretation acts that it deems appropriate.

The same decree instructs the SC to implement the appropriate measures in order to attribute the bands between 1,710-1,755 MHz; 2,110-2,155 MHz and 698-806 MHz exclusively for terrestrial mobile telecommunications services.

On December 13, 2012, the PEN, through Decree No. 2,427/12, declared of public interest the development, implementation and operation of the Federal Wireless Network, in charge of the Ministry of Federal Planning, Public Investment and Services, to be executed through ARSAT, under the National Telecommunications Plan Argentina Conectada, which provides the infrastructure necessary for this purpose, according to the general guidelines established in the Decree's Annex.

In addition, by Article 2 of Decree 2,427/12, the PEN instructed the Ministry of Federal Planning, Public Investment and Services, as major shareholder of ARSAT, to take the necessary corporate actions and decisions, that allow the execution of works and services required as a result of the implementation of the Federal Wireless Network.

Also, on December 21, 2012, the SC Resolution No. 222/09 was published in the Official Bulletin, which assigned ARSAT the telecommunication services license that authorizes the state company to provide any kind of telecommunication services with or without owned infrastructure. It also provided the authorization for the provision of value-added services, data transmission and transportation of audio and video signals.

By Resolution No. 9/13, published on February 7, 2013, the SC granted ARSAT the registration of Mobile Services and National and International Long Distance Services and the Provision of Telecommunication Facilities.

Personal's Management continues evaluating the implications of SC Resolution No. 71/12 and Decree No. 2,426/12 in the Company, as well as the necessary actions which allow Personal to continue providing high quality standards mobile services.

Revocation of the License

Telecom Argentina's license is revocable in the case of non-compliance with certain obligations, including but not limited to:

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- an interruption of all or a substantial portion of service;
- a modification of corporate purpose or change of domicile to a jurisdiction outside Argentina;
- a sale or transfer of the license to third parties without prior approval of the Regulatory Bodies;
- any sale, encumbrance or transfer of assets which has the effect of reducing services supplied without the prior approval of the Regulatory Bodies;
- a reduction of ownership of Nortel in the capital stock of Telecom Argentina to less than 51%, or the reduction of ownership of Sofora in the capital stock with voting power of Nortel to less than 51%, in either case without prior approval of the Regulatory Bodies;
- any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina without prior approval of the Regulatory Bodies; and
- a bankruptcy of Telecom Argentina.

If Telecom Argentina's license is revoked, Nortel must transfer its interest in Telecom Argentina's capital stock to the Regulatory Bodies, in trust for subsequent sale through public auction. Once the sale of the shares to a new management group is performed, the Regulatory Bodies may renew the license of the Company under the terms to be determined.

Personal's licenses are revocable in case of non-compliance with certain obligations, including but not limited to:

- repeated interruptions of Personal's services as set forth in the List of Conditions;
- any transfer of the license and/or the related rights and obligations, without the prior approval of the Regulatory Authority;
- any encumbrance of the license;

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- any voluntary insolvency proceedings or bankruptcy of Personal; and
- a liquidation or dissolution of Personal, without the prior approval of the Regulatory Authority.

Núcleo s licenses are revocable mainly in the case of:

- repeated interruptions of the services;
- any voluntary insolvency proceedings or bankruptcy of Núcleo; and
- non-compliance with certain obligations.

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. Finally, the full liberalization of local, domestic and international long-distance services took place in November 2000. See Decree No. 764/00 below. 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 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.

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. For example, all localities with more than 80 inhabitants had to be incorporated into the network by means of the installation of semi-public long-distance services and all localities with more than 500 inhabitants had to be incorporated into the residential network by means of fixed-line or mobile services.

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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 Techtel (Telmex), Impsat (Global Crossing), Comsat, IPlan, Telecentro, 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.

Regulatory Environment

Decree No. 764/00

On September 5, 2000, the Argentine executive branch issued Decree No. 764/00 which enacted four new regulations:

- the regulation of licenses for telecommunications services;
- the interconnection regulation;
- the regulation governing the administration, management and control of the radioelectric spectrum; and
- the Universal Service regulation.

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The basic guidelines for these regulations are as follows:

General Regulation of Licenses. This regulation establishes a single nationwide license for the provision of all telecommunication services to the public, including fixed-line, mobile, national and international, irrespective of whether these services are provided through telecommunications infrastructure owned by the service provider. Under the regulation, a licensee's corporate purpose does not need to be exclusively the provision of telecommunications services and there are no restrictions on participation by foreign companies. In addition, the regulation does not establish any minimum investment or coverage requirements. Broadcasting service companies may also apply for a license to provide telecommunications services. The regulation further authorizes the resale of telecommunications services subject to obtaining a license. This regulation governs the license through which Telecom Argentina offers services in the Southern Region and is complementary to Telecom Argentina's obligations pursuant to its preexisting licenses.

Interconnection Regulation. Compared to the prior interconnection regulation (Decree 266/98), this regulation provides for a reduction of approximately 50% in the reference interconnection prices in effect at the time. The regulation also increases the number of infrastructure elements and services that the dominant operator is required to provide, including interconnection at the local exchange level, billing services and unbundling of local loops. This regulation also introduces interconnection for number translation services (NTS) such as Internet, audiotext, collect calling and the implementation of number portability, all of which were subject to future regulations.

Related to the Regulation for the call by call selection of the providers of long-distance services, the former Ministry of Infrastructure and Housing issued General Resolution No. 613/01 which approved this Regulation, subsequently modified by Resolution No. 75/03 of the Ministry of Economy and Public Finance, which introduced several changes related to the obligation of service provision and habilitation and blockage modality and the availability of the service on December 6, 2003. The Company has fulfilled with all its obligations, nevertheless, as of the date of this Annual Report, this long-distance service modality is not implemented.

Regarding the number portability, on January 22, 2009, the SC issued Resolution No. 8/09 pursuant to which an ad hoc Working Commission was created with representatives of the SC and the CNC, for the purpose of preparing a draft of the Number Portability Regime.

On August 19, 2010, through SC Resolution No. 98/10, the SC approved the Number Portability Regime (NP), covering the STM, SRMC, PCS and SRCE (trunking) mobile services, defined in the resolution as portable services.

On June 14, 2011, the SC issued Resolution No. 67/11 replacing several sections of the NP regime. It also approved the Processes and Technical and Operational Specifications relating to the implementation and correct application of the NP, the Bidding Specifications for the selection of the Database Administrator and the model contract, and the Network Technical Specification for the implementation of the NP in the Networks Mobile Communications.

On October 12, 2011, and under the provisions of SC Resolution No. 98/10 and No. 67/11, the contract for the integration and management of the Database, between the four service providers and the Administrator of the Portability was formalized with the selection of the joint offer by Telcordia Technologies Inc. and its Argentine affiliate Telmark S.A.

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Personal and the other mobile service providers finalized the adjustments of their respective networks as well as developments and testing of the necessary information technology applications, implementing the NP during March 2012.

Regulation Governing the Administration, Management and Control of the Radioelectric Spectrum. This regulation establishes the principles and requirements governing the administration, management and control of the radioelectric spectrum. According to the regulation, authorizations or permissions will be granted subject to SC's right to substitute, modify or cancel them without any grantee right to indemnification. New grants of authorizations will have a minimum duration of five years. The authorizations or permissions for use of frequencies may not be transferred, leased or assigned, in whole or in part, without prior authorization by the SC.

Universal Service (SU) Regulation. The Universal Service regulation requires entities that receive revenues from telecommunications services to contribute 1% of these revenues (net of taxes) to the Universal Service Fiduciary Fund (the SU Fund). The regulation adopted a pay or play mechanism for compliance with the mandatory contribution to the SU fund. The regulation established a formula for calculating the subsidy for the SU liability which takes into account the cost of providing this service and any foregone revenues. Additionally, the regulation created a committee responsible for the administration of the SU fund and the development of specific SU programs.

On June 8, 2007, the SC issued Resolution No. 80/07 which stipulated that until the SU Fund was effectively implemented, telecommunication service providers, such as Telecom Argentina and Personal, were

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required to deposit any contributions accrued since the issuance of such Resolution into a special individual account held in their name at Banco de la Nación Argentina. CNC Resolution No. 2,713/07, issued in August 2007, established how these contributions are to be calculated.

New Universal Service Regulation

Decree No. 558/08, published on April 4, 2008, introduced certain changes to the SU Fund regime created by Decree No. 764/00. Decree No. 558/08 established that the SC would assess the value of service providers' direct program contributions in compliance with obligations promulgated by Decree No. 764/00. It would also determine the level of funding required in the SU Fund for programs pending implementation. In the same manner, in order to guarantee the continuity of certain projects, the SC was given the choice to consider as SU contributions certain other undertakings made by telecommunication services providers and compensate providers for these undertakings.

In defining Universal Service, the new regulation established two categories: (a) areas with uncovered or unsatisfied needs and (b) customer groups with unsatisfied needs. It also determined that the SC would have exclusive responsibility for the issuance of general and specific resolutions regarding the new regulation, as well as for its interpretation and application.

It also established that the SC will review SU programs which were established under the previous regulation, guaranteeing the continuity of SU programs already being administered and implementing programs that had been under review. The financing of SU ongoing programs which were recognized as such will be determined by the SC, whereas telecommunications providers appointed to participate in future SU Programs will be selected by competitive bidding.

The Decree requires Telecom Argentina and Telefónica to extend the coverage of their fixed line networks, within their respective original region of activity, within 60 months from the effective date of the Decree's publication. The SC will determine on a case-by-case basis if the providers will be compensated with funds from the SU Fund.

The Decree requires telecommunications service providers to contribute 1% of their revenues (from telecommunication services, net of taxes) to the SU Fund and keeps the pay or play mechanism for compliance with the mandatory monthly contribution to the SU Fund or, to claim the correspondent receivable, as the case may be.

Providers of telecommunications services shall rely on the assistance of a Technical Committee made up of seven members (two members appointed by the SC, one member appointed by the CNC, three members appointed by the telecommunication services providers—two of which shall be appointed by Telecom Argentina and Telefónica and one by the rest of the providers—and another member appointed by independent local operators). This Technical Committee is informed by the SC of the programs to be financed and is responsible for managing and controlling the SU Fund, carrying out technical-economic evaluations of existing projects and supervising the process of competitive bidding and adjudication of new SU programs, with prior approval by the SC.

The Technical Committee has been created and it is fully operative. Additionally, telecommunications service providers had already sent the proposed Fiduciary agreement to the SC. The SC approved it in January 2009 through Resolution No. 7/09.

On April 4, 2009, by means of SC Resolution No. 88/09, the SC created a program denominated "Telephony and Internet for towns without provision of Basic Telephone services" that will be subsidized with funds from the SU Fund. The program seeks to provide local telephony, domestic long-distance, international long-distance and Internet services in towns that did not provide Basic telephone services. The proposed projects approved by the SC would be sent to the Technical Committee of the SU Fund so that availability of funds can be evaluated and they can be included in a bidding process provided for in Decree No. 558/08.

On December 1, 2010, the SC issued Resolutions No. 147/10 and No. 148/10, approving "Internet for educational institutions" and "Internet for public libraries" programs, respectively. These programs aim to provide the Broadband Internet service to state-run educational institutions and public libraries, respectively, and would be implemented using SU Fund resources, through public biddings. As of the date of this Annual Report, the first bidding for the "Internet for educational institutions" program has already been conducted. Telecom Argentina was awarded the project and is finishing the installation of the last project facilities, which will reach 1,540 schools and generate revenue to us from the FFSU of approximately P\$5 million per year for a period of 5 years. On the other hand, the auction "Internet for public libraries" program was cancelled by the Regulatory Authority to be redefined. Also, during 2012, the auction "Telephony and Internet for towns without provision of Basic Telephone Service" took place according to Resolution No. 88/09, which involved the service provision in 430 locations. Personal presented its offer to the auction. As of the date of this Annual Report, the auction is in pre-award stage.

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On November 11, 2010, the SC issued Resolution No. 154/10 adopting the methodology for the deposit of the SU contributions to the trustee's escrow account. The Resolution includes several provisions related to the determination of the contributions that correspond to the periods before and after Decree No. 588/08 was issued. It also states that telecommunication providers may discount the amounts incurred in the implementation of the SU Initial Programs from the contributions to the SU Fund until the SC determines if those Initial Programs qualify as such. However, if as a result of the SC's verification some amounts are not recognized as Initial Programs, those amounts would have to be contributed into the SU Fund or would have to be allocated to develop SU projects previously approved by the SC.

On December 30, 2010, the trustee notified Telecom Argentina and Personal of the trustee's escrow account number in which they shall deposit the SU contributions under the provisions of SC Resolution No. 154/10.

On January 26, 2011, the SC issued Resolution No. 9/11 establishing the Infrastructure and Equipment Program. The Resolution provides that telecommunication service providers can contribute to the projects in this program only the amounts corresponding to their pending SU contributions under Annex III of Decree No. 764/00, before the effective date of Decree No. 558/08.

In Telecom Argentina

By the end of 2002, the SC formed a working group responsible for analyzing the method to be applied for measuring the net costs of SU performance—particularly, the application of the Hybrid Cost Proxy Model (the HCPM Model), based on the incremental cost of a theoretical network. The working group was also tasked with defining non-monetary benefits and determining the methodology for its calculation, in order to assess the costs that would be offset due to performance of SU obligations. The working group decided that, given the complexity of this methodology, efforts should be made to continue the initial programs independently from application of the HCPM Model, and that there was a need to carry out a comprehensive review of the present general regulations relating to SU to ensure that these regulations were operative in the near term considering the existing social needs.

Several years after the deregulation of the market and effectiveness of the first SU regulations, incumbent operators have not received any set-offs for the services rendered under the SU regime.

Pursuant to Resolutions SC No. 80/07, SC No. 154/10 and CNC No. 2,713/07, Telecom Argentina has estimated a receivable of P\$1,212 million (unaudited) for the period initiated in July 2007 through December 31, 2012, and has filed its calculations for approval by the SC. This receivable has not yet been recorded since it is subject to approval of the SU programs, review of the SC and availability of funds in the SU Fund.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom Argentina that investments associated with High-Cost Areas amounting to approximately P\$999 million since July 2007 and included in the above-mentioned receivables are not considered an Initial Indicative Program. Such resolution was appealed by Telecom Argentina. As of the date of this Annual Report, the outcome of this appeal is still pending.

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On July 12, 2012, Telecom Argentina was notified of the SC Resolutions No. 53 and 54/12 and on July 25, 2012, it was notified of SC Resolutions No. 59, 60, 61 and 62/12, pursuant to which the Special Service of Information 110, the Discounts for Retired People, Pensioners and Low Consumption Households, the services of Social Public Telephony and Loss-Making Public Telephony, the Services and Discounts relating to the Information Society Program argentina@internet.todos, the Services for Deaf-Mute People and the Free Access to Special Emergency Services and Special Community Services, provided by Telecom Argentina did not qualify as an Initial Indicative Program, pursuant to the terms of Article 26 of Annex III of Decree No. 764/00, and that, taking into account the conditions and legal framework within which such services were developed by Telecom Argentina, they did not constitute different services involving a SU provision, and therefore cannot be financed with SU funds, pursuant to the terms of Section 2 of Decree No. 558/08.

On August 21, 2012, the Company was notified of SC Resolutions No. 69 and 70/12, pursuant to which the Value Added Service 0611 and 0612 and the Long Distance Semipublic Service provided by Telecom Argentina did not qualify as an Initial Indicative Program, pursuant to the terms of Article 26 of Annex III of Decree No. 764/00, and that, taking into account the conditions and legal framework within which such services were developed by Telecom Argentina, they did not constitute different services involving a SU provision, and therefore cannot be financed with SU funds, pursuant to the terms of Article 2 of Decree No. 558/08.

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Telecom Argentina's Management, with the advice of its legal counsel, has filed appeals against SC Resolutions Nos. 53, 54, 59, 60, 61, 62, 69 and 70 presenting the legal arguments based on which such resolutions should be revoked. The deductions that were objected by the SC Resolutions amount to approximately P\$450 million and are included in the credit balance mentioned in the third paragraph of this section.

On September 13, 2012, the CNC required Telecom Argentina to deposit approximately P\$208 million. Telecom Argentina has filed a recourse refusing the CNC's request on the grounds that appeals against the SC Resolutions are still pending of resolution. However, it cannot be assured that these issues will be favorably resolved in the administrative stage. Otherwise, we cannot assure what actions the Company would take to defend its rights at court.

In Personal

Since January 2001, Personal has been recording a liability related to its obligation to make contributions to the SU Fund. In addition, since July 2007 and in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713/07, Personal deposited the correspondent contributions of approximately P\$112 million into an account held under their name at the Banco de la Nación Argentina.

During the first quarter of 2011, the abovementioned funds were transferred to the trustee's escrow account, in compliance with the provisions of SC Resolution No. 154/10 previously described. Since January 2011, the SU Fund monthly contributions are now being made into such escrow account.

In March 2011, Personal submitted to the SC a P\$70 million investment project, pursuant to SC Resolution No. 9/11, for the development of network infrastructure in locations in the Northern Region of Argentina with no mobile coverage. As of the date of this Annual Report, this program is still pending the approval of the SC.

On July 5, 2012, the SC issued Resolution No. 50/12 pursuant to which it notified that the services referred to by the Mobile Communications Services Providers, which were filed as High Cost Areas or services provided in non-profitable areas, services provided to clients with physical limitations (deaf-mute and blind people), rural schools, and the request relating to the installation of radio-bases and/or investment in the infrastructure development in various localities, do not constitute items that may be discounted from the amount of contributions to the SU pursuant to Article 3, last part, of Resolution No. 80/07, or Article 2 of Decree No. 558/08. It also provides that certain amounts already deducted may be used for investment projects within the framework of the Program of SC Resolution No. 9/11, or deposited in the SU Fund, as applicable.

Personal has filed an administrative action against SC Resolution No. 50/12 requesting its nullity. As of the date of this Annual Report, the resolution of this matter is still pending.

On October 1, 2012, responding to an SC's requirement, Personal deposited under protest approximately P\$23 million in the SU Fund, corresponding to the assessment of the SU services provided by Personal since the issuance of Decree No. 558/08, reserving its right to take all actions it may deem appropriate to claim its reimbursement, as informed to the SC and the CNC on October 15, 2012. Since August 2012,

Personal has paid its monthly calculations under protest of those concepts.

It cannot be assured that this issue would be favorably resolved in the administrative stage. Otherwise, we cannot assure what actions the Company would take to defend its rights at court.

Administrative complaint in connection with the service cuts affecting Telecom Argentina and Personal's customers

On June 25, 2012, the CNC notified Telecom Argentina of an administrative complaint relating to an incident that took place on June 12, 2012, in an optic fiber link of Telecom Argentina, caused by a construction company for which Telecom Argentina is not liable, which affected the interurban and ADSL services in localities at the North Region of the country and also affecting the mobile communication services provided by Personal. Such services were quickly restored, after slightly more than two hours of labor, due to the networks' redundancy. On the same date, within the same procedure, the CNC also notified Personal of an administrative complaint in connection with the problems affecting its mobile communication services.

Telecom Argentina and Personal filed their defense against such penalty procedures, arguing that these penalty procedures should not be triggered. On October 11, 2012, the CNC notified Telecom Argentina and Personal that the procedures begun on June 25, 2012 were not triggered because the regulations on which the

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complaint was based (Article 10.1 of Annex I of Decree No. 764/00) were not applicable to Telecom Argentina nor to Personal. Nevertheless, the CNC filed a new complaint against both companies for the alleged non-compliance of the regulations provided in the List of Conditions of the Basic Telephone Service and the Mobile Telephone Service, respectively.

The Management of Telecom Argentina and Personal, with the advice of their legal counsels, believes that there are solid arguments to defend themselves against the new complaint. This incident is different from other cases reviewed by the CNC regarding network outages of other mobile operators that occurred during the second quarter of 2012. Management believes that any possible sanctions would not materially affect the financial and economic position of Telecom Argentina and Personal. However, it cannot be assured that the new procedure will not result in administrative penalties that will make it necessary for Telecom Argentina and Personal to defend their rights at court.

Assessment of Mobile Services: SC Resolution No. 45/12

On May 31, 2012, the SC issued Resolution No. 45/12 providing that the assessment time of calls originated in users of mobile services shall start from the moment in which the call's recipient answers the phone in person or through a voice mail, until the moment in which the communication ends, and that any communications that are not answered by the recipient (either in person or through a voice mail) shall not be invoiced or charged in any way.

The assessment provided by Resolution No. 45 was successfully implemented by Personal as October 11, 2012.

Rates

The Price Cap was a rate regulation mechanism applied to calculate changes in Telecom Argentina's basic services rates using the U.S. Consumer Price Index (the U.S. C.P.I.) and an efficiency factor. However, in October 2001, a preliminary injunction prohibited Telecom Argentina from applying rate increases by applying the U.S. C.P.I.

Public Emergency Law No. 25,561 explicitly prohibited rate adjustments. As of the date of this Annual Report, the pesification and the freeze of regulated rates remain in force. Therefore, the Price Cap regime is suspended and it is unknown if and when it will come back into effect or be replaced by other rate regulation procedures.

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 Telecom Argentina may charge in the future will be determined by negotiations between Telecom Argentina and the Argentine government. The Public Emergency Law has been subsequently extended through December 31, 2013.

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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 will be permitted to raise the termination charge for international incoming calls, increase the time bands for peak-hour rates applied to local and domestic long-distance calls and incorporate certain modifications to the current regulatory framework.

The Letter of Understanding 2006 contemplated the signing and effectiveness of the Minutes of Agreement of the Renegotiation upon the fulfillment of certain necessary administrative steps. As of the date of this Annual Report, such fulfillment has yet to occur. Although we expect such fulfillment to occur, we cannot guarantee whether or when this will happen. We are unable to predict the outcome of the negotiations that are continuing with regard to further rate increases and the future rate scheme. Also, we are unable to predict whether the Argentine government, as a result of the current rate renegotiations, will impose additional conditions or requirements and if these conditions or requirements are imposed, whether we will be able to satisfy them.

Rate Regulations

Rate Rebalancing. At the time of ENTel's privatization, the need for a future amendment of rates to rebalance the pricing of domestic and international charges was foreseen. Subsequent agreements established the right of licensees to a Rate Rebalancing and set forth some methods to implement a new rate structure.

Decree No. 92/97 provided for a significant reduction in domestic and international long-distance rates, an increase in basic telephony charges, the elimination of Free Pulses and an increase in urban rates. The Rate Rebalancing was undertaken as part of the Argentine government's plan to create a competitive environment in

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the Argentine telecommunications industry. One of the main principles of the Rate Rebalancing was to have a neutral effect on the licensee's revenues.

The new rate schedule was intended to reduce cross-subsidies (particularly those existing between urban and long-distance services) to create a competitive environment beginning in the year 2000. Decree No. 2,585/91 established that the Rate Rebalancing should have a neutral effect on the licensee's revenues. In developing the rate structure implemented by Decree No. 92/97, the Argentine government relied on studies which demonstrated that because of the elasticity of demand for telephone service, an increase in demand for lower-priced services would compensate for the rate reductions. Decree No. 92/97 established corrective methods to facilitate neutral results on revenues. The *Banco Interamericano de Reconstrucción y Fomento*, or InterAmerican Bank for Reconstruction and Development, was responsible for making measurements on a semi-annual basis, over a two-year period, to determine the effects of the Rate Rebalancing. Decree No. 92/97 provides a method to offset changes in revenue resulting from the Rate Rebalancing at the time of applying the Price Caps.

The variation in revenues resulting from the Rate Rebalancing for the two-year period beginning February 1997 was determined to amount to an increase of P\$9.5 million in accordance with SC Resolution No. 4,269/99. In December 2007, the regulatory authority notified the Company of its intention to offset this amount with the Resolution No. 41/07 receivables. As a result, during fiscal year 2007, Telecom Argentina recorded a liability on the CNC final results, which was shown as a deduction from the Resolution No. 41/07 receivables. In April 2009, the CNC notified the offsetting of the P\$9.5 million Rate Rebalancing amount with the Resolution No. 41/07 receivables (See Tax Stability: Social Security Contribution Variations), thus ratifying the registration made by Telecom Argentina.

Historical Rates. The following table sets forth certain of our maximum monthly rates for various components of local service and domestic long-distance service which have been in effect since 1999:

	Maximum rate (1)	
Residential:		
Installation charge per line	P\$	150
Monthly Basic Charge per line	U.S. Dollars (2)	13.23
Commercial:		
Installation charge per line	U.S. Dollars (2)	150
Monthly Basic Charge per line	U.S. Dollars (2)	27.30
Prices:		
Price per pulse (nominal)	U.S. Dollars (2)	0.0469

(1) Figures shown do not include value added tax charged to customers.

(2) In accordance with Public Emergency Law, these rates were pesified at the exchange rate US\$1.00 to P\$1.00.

The Letter of Understanding 2006 described under Rates above is intended to serve as a foundation for a forthcoming negotiation agreement and contemplates the increase in rates for incoming international calls and the extension of peak-rate calling periods. The new rate agreement contemplated by the Letter of Understanding 2006 has not yet been completed.

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Price Cap. The List of Conditions required that rates undergo an annual reduction until the Regulatory Bodies determine that there is effective competition in the markets we serve. The Price Cap was a regulation method applied in order to calculate changes in Telecom Argentina's rates, based on changes in the U.S. C.P.I. and an efficiency factor. A 2% (measured in real dollar terms) reduction in the prior year's rates was required for each of the third through the seventh year following the Transfer Date (through November 7, 1997). In addition, following the extension of the exclusivity period, rates were required to be 4% lower (measured in real dollar terms) than the prior year's rates. This requirement was maintained pursuant to the Rate Agreement, whereby Telecom Argentina was permitted to effect aggregate rate reductions by lowering rates for some or all categories of service, provided that net reductions meet the applicable targets. The application of annual reductions to the general level of rates established in the List of Conditions (price cap) has been implemented mainly by reducing the long-distance rates and (in Price Cap 1998) discounts to certain public entities, including the fire departments and public libraries. The CNC notified Telecom Argentina of the completion of the Price Cap 1998 audit which did not show any balance that needed to be applied. As a result of the 1999 Price Cap audit process and Telecom Argentina's reviews, the Regulatory Authority notified us, in August 2009, of the existence of an outstanding balance of P\$3.1 million plus interest which has yet to be applied. This amount was offset with the credit resulting from SC Resolution No. 41/07. See Tax Stability: Social Security Contribution Variations.

On April 6, 2000, the Argentine government, Telefónica and Telecom Argentina signed an agreement (Price Cap 2000) that set the price cap efficiency factor at 6.75% (6% set by the SC and 0.75% set by Telecom Argentina and Telefónica) for the period of November 2000 to October 2001.

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The 2000 Price cap audit results are still pending. Should the outcome of these audit results yield a payable by Telecom Argentina, this payable can be offset with the receivables generated by Resolution No. 41/07. See Tax Stability: Social Security Contributions Variation.

In April 2001, the Argentine government, Telefónica and Telecom Argentina signed an agreement (2001 Price Cap) that set an efficiency factor for reduction of rates at 5.6% for the period from November 2001 to October 2002.

However, in October 2001, a preliminary injunction against Telecom Argentina disallowed Telecom Argentina to apply rate increases by reference to the U.S. C.P.I. Telecom Argentina appealed this injunction arguing that if one part of the formula could not be applied, the Price Cap system should be nullified. Finally, Public Emergency Law No. 25,561 explicitly prohibited rate adjustments. As of the date of this Annual Report, the pesification and the freeze of the regulated rates are still in force, therefore the price cap regime is suspended and it is unknown if and when it will come back into effect or be replaced by other rate regulation procedures. See Item 8 Financial Information Legal Proceedings Civil, commercial, labor, regulatory, tax and other matters proceedings General Proceedings Consumer Trade Union Proceedings.

Installation Charges. Under the Rate Agreement, Telecom Argentina was required to gradually reduce installation charges so as to achieve pricing levels equal to those for internationally mature networks (estimated in the Rate Agreement to be US\$250) and to eliminate distinctions between residential and commercial users. Decree No. 92/97 established that, beginning in November 1997, installation charges could not exceed the amount charged in mature international markets. According to this decree, the current maximum permitted charge is US\$150 (pursuant to the Public Emergency Law, this charge was pesified at the exchange rate of US\$1.00=P\$1.00). Telecom Argentina has been applying several promotions to installation charges. Average levels of promotional installation charges in 2012 were P\$66.8.

Monthly Basic Charges. Until the effective date of Decree No. 92/97, customers were entitled to a certain number of Free Pulses per line depending on the category of each customer and the number of lines in the area. As a result of the application of Decree No. 92/97 and in order to offset rate reductions for domestic and international long-distance services, Free Pulses were eliminated for all categories of customers and monthly basic charges were equalized throughout the country. Decree No. 92/97, however, provided for a special reduced rate that is available to certain retired people and low-consumption residential customers.

Long-Distance Rates. Decree No. 92/97 reduced the average weighted domestic long-distance rate by approximately 33%. Under this revised rate schedule, interurban rates were significantly reduced, with maximum long-distance rates reduced by 56%. Calls within Provincial Code 1 (up to 30 km) made within provincial cities are billed at an urban rate.

Letter of Understanding Relating to Basic Services. Pursuant to the Letter of Understanding 2006, described under Rates, the Government has agreed that Telecom Argentina can increase the termination charges applied to incoming international calls and reduce the time bands for off-peak local rates. As of the date of this Annual Report, Telecom Argentina is expecting the completion of certain administrative steps required for the National Executive to submit to the National Congress a proposed Memorandum of Agreement for Renegotiation. See Rates for a description of the status of the letter of understanding 2006.

Tax on Deposits to and Withdrawals from Bank Accounts (IDC). On February 6, 2003, the Ministry of Economy and Public Finance, through Resolution No. 72/03, defined the method to allow, going forward, rate increases on Basic telephone services reflecting the impact of the IDC. The amount of tax charged must be shown separately in customers bills. Telecom Argentina has determined the existence of a remaining

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unrecovered amount of approximately P\$23 million that arose before the issuance of Resolution No. 72/03. Telecom Argentina planned to claim such amount within the rate renegotiation process (See Rates). In April 2007, Telecom Argentina provided the CNC with supporting documentation about this amount for its audit. Telecom Argentina had access to the CNC's audit documentation which corroborates the amounts claimed by Telecom Argentina and its application of a similar offsetting method pursuant to Resolution No. 41/07 described below. As a result, the Company recorded as Non-current Other receivable a total of P\$23 million.

Tax Stability: Social Security Contribution Variations. On March 23, 2007, the SC issued Resolution No. 41/07 relating to the impact of variations in social security contributions occurring over the past several years and the proposed use for the resulting savings and increases in contribution rates that have occurred. Pursuant to Resolution No. 41/07, Telecom Argentina may offset the impact of costs caused by increases in social security contribution rates that have been implemented in accordance with the applicable regulations against the savings caused by reductions in the levels of social security contributions initially earmarked for the argentina@internet.todos Program.

Telecom Argentina's implementation of Resolution No. 41/07 was subject to CNC audits, which were carried out during the third quarter of 2007. Telecom Argentina gained access to the documentation related to the CNC's audits and it showed no significant differences as compared to the net amounts that Telecom Argentina had determined.

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Consequently, Telecom Argentina recorded a receivable from increases in social security contributions and canceled payables stemming from reductions in social security contribution rates and other fines due by the Company. As of December 31, 2012, Telecom Argentina has a net receivable of P\$62 million which, in addition to the receivable of P\$23 million corresponding to the IDC, is included in the line item "Other receivables" as non-current receivables.

Since Resolution No. 41/07 gives Telecom Argentina the right to offset receivables with existing and/or future regulatory duties and, given its intention to exercise this right, the receivable was recorded net of allowances. As of December 31, 2012, the allowances corresponding to these regulatory duties amounted to P\$85 million.

In 2012, Telecom Argentina continued billing customers the increases in its social security contribution rate accrued from October 2008, applying the same method used to bill the IDC.

Other Regulations

Regulation for the Call-by-Call Selection of the Providers of Long-Distance Services. On December 28, 2001, the former Ministry of Infrastructure and Housing issued General Resolution No. 613/01, approving a system that allows callers to select their preferred long-distance provider for each call. This call-by-call selection system is referred to as "SPM".

Subsequently, as a result of claims submitted by several carriers objecting to General Resolution No. 613/01, the Ministry of Economy and Public Finance issued General Resolution No. 75/03, which introduced several changes to the regulations setting forth the SPM. The main changes relate to the following: long-distance carriers' freedom to provide SPM, changes in blockage modality due to delinquency, changes in the service connection modality and greater flexibility of obligations related to service promotion and advertising. General Resolution No. 75/03 also provides that origin providers, both fixed and mobile, must have their equipment and networks available to provide the SPM service within 120 days of February 6, 2003. Our equipment and networks have been able to provide this service since 2002. As of the date of this Annual Report, this long-distance service modality has not been implemented.

Buy Argentine Act. In December 2001, the Argentine government passed Public Law No. 25,551 (the *Compre Trabajo Argentino* or Buy Argentine Act), and in August 2002, Decree No. 1,600/02 approved and brought such Act into effect.

The Act requires Telecom Argentina to give priority to national goods and services, as defined in Public Laws No. 25,551 and No. 18,875, in any procurement related to the rendering of Basic telephone services. Priority must be given to national goods and services as long as the price of such goods is equal to or lesser than the price of a foreign good (including customs duties, taxes and other expenses that are linked to the nationality of goods) increased by 7% (when the Argentine offeror is a small-or medium-size company) or 5% (when the Argentine offeror is any other company).

The Buy Argentine Act also mandates that Telecom Argentina publish any bid for services in the Official Bulletin in order to provide any and all prospective offerors with information necessary for them to participate. This mandatory publication requires considerable lead time before the

issuance of the purchase order and has had the result of extending the period needed to complete certain purchases. Non-compliance with the Act is subject to criminal sanctions.

Public Law No. 18,875 establishes the obligation to exclusively contract services, as defined by such law, with local companies and professionals. Any exception must receive the prior approval of the relevant Ministry.

In August 2004, CNC Resolution No. 2,350/04 enacted the Procedure for the fulfillment of the Buy Argentine Act, which requires Telecom Argentina to present biannual returns addressing its compliance with these rules. Non-compliance with this obligation is subject to administrative sanctions. Since this regulation requires Telecom Argentina to make bids for goods and services and/or to obtain any necessary approvals by a relevant authority, and given the higher administrative expenses derived from the obligation to present biannual returns, this regulation reduces Telecom Argentina's operating flexibility.

Rendering of Fixed Telephony Through Mobile Telephony Access Infrastructure. In August 2007, through SC Resolution No. 151/07, fixed telephony was granted access to particular frequency bands, with the purpose of providing Basic telephone services in rural and suburban areas through the mobile access infrastructure used for

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the provision of mobile telephony service. Telecom Argentina and Telefónica provide this service within their respective fixed telephony service original regions. Telecom Argentina has installed fixed lines based on this technology in order to satisfy service demand in rural and suburban areas.

Calling Party Pays - *CPP*. As from April 15, 1997, pursuant to Decree No. 92/97 and SC General Resolutions No. 263/97 and No. 344/97, mobile telephone services apply the calling party pays, or CPP, system, whereby the party placing a call from a fixed-line to a mobile phone pays for the air-time charges for the call. As an exception to this rule, traffic originating from public telephones does not pay CPP, and is instead charged according to the Mobile Party Pays or MPP system, whereby the mobile party pays for the call received.

In March 2002, Personal started entering into agreements with the telephone operators to charge CPP for calls made by calling cards. Mobile operators have also agreed to pay for traffic terminated in each other's networks at agreed prices.

In accordance with SC General Resolution No. 124/02, since January 2003, mobile operators can charge the CPP for international calls whereby overseas calls that terminate in mobile telephones in Argentina pay for CPP charges. In order to identify these calls, customers dialing from outside must add a prefix 54 + 9 + area code to the mobile number.

The price per minute for the CPP (for fixed-line to mobile calls) is regulated by the SC based on average traffic volume and costs, as reported by the mobile operators under Resolution SC No. 623/02 which approved the calculation mechanism for the reference value of the TLRD costs for CPP modality. Resolution SC No. 48/03 fixed the values for the TLRD at P\$0.335 per minute for peak-hours and P\$0.22 per minute for off-peak hours, but these values had to be revised by the SC a month after their approval, with a second revision during the subsequent six months that was to be in turn followed by quarterly revisions. However, the SC has yet to complete these revisions.

The CPP price per minute for international calls has been agreed upon by the mobile operators and currently stands at US\$0.18.

Law No. 25,891. Law No. 25,891 was adopted on April 2, 2004, but material regulations under this law are still pending. This regulation intends to regulate the commercial distribution of mobile services and includes mandated registration of personal data for all customers, creating a Public Registry in the SC named *Registro Público Nacional de Clientes y Usuarios de Comunicaciones Móviles*.

Regulations Applicable to PCS Services

PCS. Personal has licenses for PCS in all areas in Argentina.

AMBA. In June 1999, Personal and Unifón were jointly awarded a license of 40 MHz in the PCS Band for the region including the AMBA. Miniphone and Movicom each exercised the right to acquire a license of 20 MHz in the PCS Band. Personal and Unifón have divided the 40

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MHz license awarded to the two companies and the additional 20 MHz license granted to Miniphone (10 per company).

Interior Regions. Personal holds licenses of 40 MHz in the PCS Band in the Southern Region. Personal also holds a license of 20 MHz in the PCS Band in the Northern Region.

In August 2006, the CNC issued Resolution No. 2,528/06 declaring that Personal had fulfilled its obligations under the *Pliego de Bases y Condiciones* for the acquisition of the licenses for the provision of PCS. In addition, the SC issued Note No. 1,040/06 which enabled Personal to recover the promissory notes used to guarantee the granted PCS licenses and, therefore, all such notes have been recovered.

Personal also has licenses for Data Transmission and Value Added Services (granted by Resolution SC No. 18/96 and confirmed by Resolution SC No. 55/96), and for National and International Long Distance Telephony Service (Registered by Resolution SC No. 502/01).

In connection with Telefónica Móviles' acquisition and combination of operations of Unifón and Movicom, in 2004, the SC authorized a change in shareholder control of stakes held in Compañía de Radiocomunicaciones Móviles S.A. and in Compañía de Teléfonos del Plata in Telefónica Móviles' favor. This authorization was conditioned upon the return, without charge, of frequency bands exceeding an aggregate 50 MHz in accordance with the effective laws and pursuant to a plan to be subsequently issued. See Regulatory Framework

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Regulatory Bodies and General Legal Framework Licences granted as of December 31, 2012 Radio electric spectrum auction for a description of the reassignment of the 850 Mhz and 1900 Mhz frequency bands returned by Telefónica Móviles Argentina S.A.

DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012 (ITRSHRA)

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) requires an issuer to disclose in its annual or quarterly reports filed with the SEC whether the issuer or any of its affiliates has knowingly engaged in certain activities, transactions or dealings with the Government of Iran, relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the annual or quarterly report. Disclosure is required even when the activities were conducted outside the United States by non-U.S. entities and even when such activities were conducted in compliance with applicable law.

In accordance with our Code of Ethics and Conduct, we seek to comply with all applicable laws.

Activities relating to Iran

Telecom Group

The only activity we have that, to our knowledge, relates in any way to Iran is our roaming agreement with Mobile Company of Iran (MCI) (formerly TCI).

Our roaming agreements allow our mobile customers to use his or her mobile device on a network outside the subscriber's home network. (See Glossary of Terms - Roaming).

Like all major mobile networks, in response to the competition and customers' demands Personal has entered into roaming agreements with many foreign mobile networks, including MCI, to allow their customers to make and receive calls abroad.

Roaming agreements are, including the one relating to Iran, on standard terms and conditions. Entering into roaming agreements is an activity carried out in the ordinary course of business by a mobile network operator.

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Roaming agreements are, generally, reciprocal. Pursuant to a roaming agreement when our mobile customers are in a foreign country covered by the network of an operator with which we have a roaming agreement (the Foreign Operator), our mobile customers may make and receive calls on their mobile phone using the Foreign Operator's network. Likewise, the Foreign Operator's customers may make and receive calls using our networks when these customers are in Argentina.

The Foreign Operator bills us for the calls made and received by our roaming customers at the rate agreed upon in the applicable roaming agreement. We then bill these customers according to the specific roaming fees in their subscription agreement. Likewise, we bill the Foreign Operator at the roaming rate agreed upon in the applicable roaming agreement. The Foreign Operator bills its clients for the calls made and received using our networks according to customer agreements. Roaming agreements do not, generally, contemplate other fees or disbursements.

In 2012, the consolidated impact on net profit (loss) arising from our roaming agreements with MCI was as follows:

- our total revenues received under roaming agreements with MCI were approximately US\$11 (eleven U.S. dollars).
- our total charges paid under roaming agreements with MCI were approximately US\$369 (three hundred and sixty-nine U.S. dollars).

These revenues and charges are immaterial to our consolidated revenues and operating expenses, respectively. Because we do not separately allocate costs directly attributable to the service provision or other overhead costs to these transactions, the amount of our consolidated net profits earned under these agreements is not determinable, but it does not exceed our gross revenues from the agreements.

The purpose of our roaming agreements is to provide our customers with coverage in areas where we do not own networks. For that purpose, we intend to continue maintaining our roaming agreements.

Telecom Italia

We are also required to disclose our affiliates' activities relating to Iran. We have been informed that other members of the Telecom Italia Group also have entered into roaming agreements with Iranian telecommunications operators. The information in this section is based solely on information provided to us by our Parent Telecom Italia S.p.A. for purposes of complying with our obligations under Section 13(r) of the Exchange Act. Information set forth below is for the consolidated Telecom Italia Group and includes the impact of our revenues and charges described above.

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The Telecom Italia Group operates one of the largest mobile network in Italy. Through its foreign subsidiaries, Telecom Italia also has large mobile operations in Brazil (Tim Participações S.A. by means of its subsidiary TIM Celular S.A.) and Argentina (Telecom Argentina S.A. by means of Telecom Personal S.A.).

Telecom Italia informs us that the only activities that Telecom Italia has that, to its knowledge, relate in any way to Iran are:

- roaming agreements with the following Iran mobile phone operators: Taliya, KFZO TKC (formerly Payam Kish), Irancell (MTN) and Mobile Company of Iran (MCI) (formerly TCI); and
- commercial relationship for the delivery of traffic from Iran to its networks and from its networks to Iran (International Carrier Agreements). To this end, its subsidiary Telecom Italia Sparkle S.p.A. (TI Sparkle) directly and through its subsidiaries entered into agreements with Telecommunication Infrastructure Company (TIC) in Iran.

Roaming. Telecom Italia informs us that in 2012, the impact on Telecom Italia Group net profit (loss) arising from such roaming contracts is analyzed as follows:

- its total revenues from roaming agreements with Iranian networks were approximately 330 thousand euros (of which 322 thousand euros recorded by Telecom Italia S.p.A.);
- its total charges from roaming agreements with Iranian networks were approximately 319 thousand euros (of which 296 thousand euros recorded by Telecom Italia S.p.A.).

The purpose of these agreements is to provide coverage in areas where Telecom Italia does not own networks. For that purpose, it intends to continue maintaining these roaming agreements.

International Carrier Agreements. As a rule in the modern telecommunication business, when traffic from a specific network is placed to or transported through another carrier's network (the Host Network), the Host Network receives a fee from the incoming network.

Telecom Italia informs us that in 2012, the impact on its net profit (loss) arising from the above International Carrier Agreements is analyzed as follows:

- its total revenues from traffic from networks located in Iran to its networks were approximately 9.3 million euros;

- its total charges from traffic to networks in Iran from its networks were approximately 0.4 million euros.

The purpose of this agreement is to allow exchange of international traffic. Consequently, Telecom Italia intends to continue maintaining this agreement.

Furthermore, in 2012 its subsidiary Olivetti I-Jet in liquidation recorded 2,500 euros for the sale of a printer together with the related print heads.

All such amounts of revenues and charges are de minimis with respect to Telecom Italia consolidated revenues and operating expenses, respectively.

CAPITAL EXPENDITURES

Capital expenditures (investment in Property, Plant and Equipment PP&E and intangible assets) amounted to P\$3,257 million in the year ended December 31, 2012, P\$3,192 million in the year ended December 31, 2011, and P\$2,493 million in the year ended December 31, 2010.

The following table sets forth our Total Additions (Capital Expenditures plus Materials) for the years ended December 31, 2012, 2011 and 2010, amounting to P\$3,416, P\$3,359 and P\$2,534, respectively.

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	2012	Year ended December 31, 2011 (P\$ millions)(1)	2010
Land and buildings	88	184	143
Switching and transmission	558	640	548
Equipment and infrastructure for special projects	94	23	1
Access and outside plant	732	710	595
Computer equipment and software	636	589	495
Other	307	172	139
Subtotal tangible capital expenditures (2)	2,415	2,318	1,921
Rights of use, exclusivity agreements and licenses		106	20
Service connection or habilitation costs	21	22	18
Subscribers acquisition costs	821	746	534
Subtotal intangible capital expenditures	842	874	572
Total capital expenditures	3,257	3,192	2,493
Materials (3)	159	167	41
Total additions in PP&E and intangible assets	3,416	3,359	2,534

(1) The allocation of work in progress among items is estimated.

(2) Includes materials transferred amounting to P\$209 million, P\$231 million and P\$282 million as of December 31, 2012, 2011 and 2010, respectively.

(3) Each year increase is calculated as the net amount between additions and transfers to work in progress during the year.

In addition, the following table shows capital expenditures for the years ended December 31, 2012, 2011 and 2010 broken down by Fixed Services and Mobile Services:

	2012	Year ended December 31, 2011 (P\$ millions)	2010
Fixed Services			
Land and buildings	56	74	70
Switching and transmission	265	310	247
Equipment and infrastructure for special projects	94	23	1
Outside plant	491	455	347
Computer equipment and software	270	194	161
Other	171	131	92
Subtotal tangible capital expenditures	1,347	1,187	918
Rights of use, exclusivity agreements and licenses		105	16
Service connection or habilitation costs	21	22	18
Subscribers acquisition costs	61	49	42
Subtotal intangible capital expenditures	82	176	76
Total Fixed Services capital expenditures	1,429	1,363	994

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Personal Mobile Services and Núcleo Mobile Services			
Land and buildings	32	110	73
Switching and transmission	293	330	301
Mobile network access	241	255	248
Computer equipment and software	366	395	334
Other	136	41	47
Subtotal tangible capital expenditures	1,068	1,131	1,003
Rights of use, exclusivity agreements and licenses		1	4
Subscribers acquisition costs	760	697	492
Subtotal intangible capital expenditures	760	698	496
Total Personal Mobile Services and Núcleo Mobile Services capital expenditures(1)	1,828	1,829	1,499
Total capital expenditures	3,257	3,192	2,493

(1) Includes P\$193 million, P\$171 million and P\$209 million of capital expenditures in Paraguay as of December 31, 2012, 2011 and 2010, respectively.

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During 2012, capital expenditures in the Fixed Services segment were focused on the expansion of fiber optic and DWDM technology in the long-distance national network to improve transmission capacity and access speed assigned to customers and on the IP Backbone evolution through the installation of new-generation routers to cope with traffic growth. Such investments are shown in the lines of Outside plant and Switching and transmission. Additionally, focusing on the need for greater bandwidth, the deployment of a loop shortening plan continued. This plan involves the installation of outdoor cabinets with DSLAM of VDSL2 technology and will allow us to provide competitive services.

With respect to the Personal Mobile Services segment, capital expenditures have been made to extend 3G network capacity and coverage to many cities in the interior of Argentina, to expand Value Added Services platforms included in the Mobile network access and Switching and to the implementation of Number Portability. In addition, investments were allocated to direct and incremental costs incurred for the acquisition of new post-paid and Cuentas Claras subscribers with a minimum contractual period, which are included in the item subscriber acquisition costs. As a result of the expected evolution in our services, we expect to increase our capital expenditures in order to maintain the quality of our services and competitive position. Our capital expenditure plan is set annually and is based on regulatory, commercial, technical and economic factors such as rates, demand and availability of equipment and buildings.

We estimate that our capital expenditures will be approximately P\$4.7 billion for 2013 (P\$3.6 billion in tangible assets and P\$1.1 billion in intangible assets, particularly SAC). See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Expenditures.

The Company continues to make significant investments designed to take advantage of growth opportunities in our businesses. In the Fixed Services segment, we invest to sustain the growth in Broadband and new initiatives of VAS, to supply mobile operators with the necessary infrastructure and to continue updating commercial and support systems. We expect to continue expanding the network infrastructure and extending the 3G technology coverage and bandwidth for mobile data transmission and to adapt is commercial and support systems.

We expect to finance these expenditures through operating cash flows and financing provided by our vendors.

PROPERTY, PLANT AND EQUIPMENT

As detailed below, our principal physical properties consist of transmission equipment, access facilities, outside plant (external wiring) and switching equipment. These properties are, at present, mainly located throughout the Northern Region. We believe that these assets are, and for the foreseeable future will be, adequate and suitable for their respective uses.

	Fixed Services	As of December 31, 2012 Personal and Núcleo Mobile Services (P\$ millions)(*)	Total
Land and buildings	867	98	965
Switching and transmission	1,383	1,332	2,715
Access and outside plant	2,158	994	3,152

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Computer equipment and software	660	934	1,594
Materials	186	80	266
Other	145	198	343
Total PP&E, net carrying value	5,399	3,636(**)	9,035(***)

(*) The allocation of work in progress among items is estimated.

(**) Includes P\$785 million located in Paraguay.

(***) Net of valuation allowance for materials for P\$14 million.

All of the above-mentioned assets were used to provide service to our customers as described below.

	2012	2011 (thousands)	2010
Fixed lines in service	4,128	4,141	4,107
Fixed Internet access lines	1,629	1,550	1,380
Mobile subscribers(*)	21,276	20,342	18,211

(*) In 2012, 2011 and 2010, includes 2,301, 2,149 and 1,878 thousand Núcleo mobile subscribers, respectively, of which 6, 8 and 10 thousand were Internet (Wi-Max) customers.

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As of December 31, 2012, we have entered into purchase commitments relating to PP&E totaling P\$971 million primarily for switching equipment, external wiring, network infrastructure, inventory and other goods and services. In general, the contracts are financed, directly or indirectly, by domestic and foreign vendors.

Our current major suppliers of fixed assets are Cía. Ericson S.A.C.I, Brightstar Argentina S.A., BGH S.A., IATEC S.A., Huawei Tech Investment Co. Ltd. Argentina, L.G. Electronics Argentina S.A., I.B.M. Argentina S.R.L., Alcatel-Lucent de Argentina S.A., Hewlett Packard Argentina S.R.L. and Italtel Argentina S.A.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion in conjunction with our Consolidated Financial Statements, including the notes to those financial statements, which appear elsewhere in this Annual Report. Our Consolidated Financial Statements have been prepared in accordance with IFRS. See Item 3 Key Information Selected Financial Data. The following discussion and analysis is presented by the Management of our company and provides a view of our financial condition, operating performance and prospects from Management's perspective. The strategies and expectations referred to in this discussion are considered forward-looking statements and may be strongly influenced or changed by shifts in market conditions, new initiatives that we implement and other factors. Since much of this discussion is forward-looking, you are urged to review carefully the factors referenced elsewhere in this Annual Report that may have a significant influence on the outcome of such forward-looking statements. We cannot provide assurance that the strategies and expectations referred to in this discussion will come to fruition. Forward-looking statements are based on current plans, estimates and projections, and therefore, you should not place too much reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. Please refer to Forward-Looking Statements and Item 3 Key Information Risk Factors for descriptions of some of the factors relevant to this discussion and other forward-looking statements in this Annual Report.

Management Overview

The Telecom Group ended the 2012 fiscal year in a solid financial situation as well as with a strong market position. The Telecom Group has continued to expand its Internet accesses base, reaching 1.6 million fixed Internet accesses, and its mobile subscribers base, reaching 21.3 million mobile subscribers (including Personal and Núcleo). To promote the expansion of business total additions in PP&E and intangible assets amounted to P\$3,416 million in 2012, representing 15% of consolidated total revenues in 2012.

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Telecom is considered one of the leading companies in the Argentine telecommunications sector. The Company has attained this position without neglecting its commitment to generate economic value for its shareholders, demonstrating good performance in terms of revenues and profitability. Telecom Argentina had consolidated net financial assets of P\$3,648 million as of December 31, 2012, compared to consolidated net financial assets of P\$2,684 million and P\$1,224 million as of December 31, 2011 and 2010, respectively. The strong cash flow generation has allowed Personal and Telecom Argentina to maintain the high level of capital expenditures and has allowed Telecom Argentina to pay P\$807 million in cash dividends during 2012 without incurring any financial indebtedness.

The following discussion and analysis summarizes relevant measures of results of operations presenting items by nature. The Company believes that the presentation of the measure operating income before depreciation and amortization provides investors and financial analysts with appropriate information that is relevant to understanding the Company's past, present and future performance. Moreover, operating income before depreciation and amortization is one of the key performance measures used by Telecom's Management for monitoring the Company's profitability and financial position, at each segment and at consolidated levels.

Continuing the trend of prior years, revenues in 2012 grew by 20% compared to 2011, reaching P\$22,117 million, and grew by 26% in 2011 compared to 2010, reaching P\$18,498 million. Operating income before depreciation and amortization in 2012 increased P\$577 million as compared to 2011, reaching P\$6,570 million (equivalent to 30% of total revenues), while in 2011 it increased P\$1,126 million as compared to 2010, reaching P\$5,993 million (equivalent to 32% of total revenues). Operating income increased P\$109 million in 2012 as

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compared to 2011, reaching P\$3,966 million (equivalent to 18% of total revenues) while in 2011 it increased P\$695 million as compared to 2010, reaching P\$3,857 million (equivalent to 21% of total revenues). Net income increased P\$190 million in 2012 as compared to 2011, reaching P\$2,732 million (equivalent to 12% of total revenues), while it increased P\$593 million in 2011 as compared to 2010, reaching P\$2,542 million (equivalent to 14% of total revenues).

Our results of operations continue to be affected by the Pesification and freeze of regulated rates in the Fixed Services segment and macroeconomic factors. For a discussion of these and other factors that may affect our results of operations. See Years ended December 31, 2012, 2011 and 2010 Factors Affecting Results of Operations and Trend Information below.

For a detailed analysis of our results of operations for fiscal year 2012, see Years ended December 31, 2012, 2011 and 2010 below.

Economic and Political Developments in Argentina

In the second half of 2001 and through the first half of 2002, Argentina experienced a deep economic recession together with an overwhelming financial and political crisis. The rapid and radical nature of changes in the Argentine social, political, economic and legal environment created a very unstable macroeconomic environment. In January 2002, the Argentine government abandoned the Convertibility regime which had fixed the peso / U.S. dollar exchange rate at 1:1 and adopted emergency economic measures which converted and froze our rates for the voice-regulated services in the Fixed Services segment into pesos at a 1:1 peso / U.S. dollar ratio (referred to herein as Pesification), among other measures. Capital outflows increased sharply, leading to a massive devaluation of the peso and an upsurge in inflation. By the end of 2002, the peso had devalued by 237% (having devalued 280% as of June 30, 2002) while the wholesale price index increased 118% and the consumer price index increased 41%.

After the abovementioned crisis, the Argentine economy began a new period of rapid growth. Argentina's GDP increased for six consecutive years, from 2003 to 2008, at an average rate of 8.5%. However, the international financial crisis affected the country decreasing its growth rate significantly to 0.9% in 2009. Throughout 2010 and 2011, the economy showed a rapid and strong recovery growing at a 9.2% and 8.9% annual rate respectively, but in 2012 a slowdown affected the economy. Inflation emerged as a main concern for the economy. According to official statistics reported by the INDEC, the consumer price index rose, 7.7% in 2009, 10.9% in 2010, 9.5% in 2011 and 10.8% in 2012, while the wholesale price index increased 10.0% in 2009, 14.6% in 2010, 12.7% in 2011 and 13.1% in 2012. Nonetheless, since 2007, the public credibility of the INDEC as a reference for reporting Argentine economic statistics has been challenged. For further detail regarding Argentine economic conditions see Item 3 Key Information Risk Factors Risks relating to Argentina Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins.

During the period between 2005 and 2007, the peso remained relatively stable against the U.S. dollar, with US\$1.00 trading within a range of P\$2.86 to P\$3.16. However, the international financial crisis created uncertainty that affected the Argentine exchange rate, as reflected by a peso/dollar exchange rate increase of 9.5% and 10.1% per year in 2008 and 2009, respectively. The peso/dollar exchange rate was relatively stable in 2010 and 2011, ending 2010 at P\$3.98 per US\$1.00 and 2011 at P\$4.30 per US\$1.00, increasing 4.7% and 8.0% respectively. In 2012, the pace of peso devaluation accelerated to 14.4% and the official exchange rate ended the year at a P\$4.92 per US\$1.00. Increasing restrictions on the foreign exchange (FX) market has been established, and an authorization from the AFIP (National Tax Authority) is now required to access the FX market to acquire foreign currencies. These restrictions intensified the gap between the FX rate and the implicit FX rate, reached through the valuation of securities trading in the local market in pesos and those trading in an external market in other currency.

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After a vigorous growth in 2010—2011, several factors influenced the slowing in the Argentine economy in 2012. The global economy did not expand as strong as expected, and financial volatility continued at high levels. Locally, key agricultural sectors suffered from a heavy drought, reducing production and Argentine's exports. Investment levels were hit by import restrictions and by a significant deterioration in the construction sector, mainly due to the increasing restrictions in the FX market, disturbing the normal functioning of the housing market. Private consumption remained positive, although growing at a much slower pace. In the second half of the year, the economy started showing some signs of recovery, ending 2012 with an economic growth of 1.9% over 2011.

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The most important factors for the economy in 2012 can be summarized as follows:

- The fiscal and debt difficulties in developed countries continued affecting global growth and financial stability. Particularly, in the euro area, the return to recovery after a protracted contraction is delayed, while developing countries showed a less dynamic level of growth. On the other hand agricultural commodities prices reached high levels, mainly due to climatic problems across the globe, giving support to the already reduced Argentine crop harvest. The Brazilian economy suffered a significant deceleration that reduced imports from Argentine products by 1.2% year-on-year.
- Private consumption still remained positive and continued moving the demand forward, although slower than previous years, due to lower consumer confidence. Consumption was encouraged mainly by expansive fiscal policies and lax monetary policy that maintained real interest rates at low levels and promoted consumption. On the other hand, investment levels were affected by uncertainties in the access to the FX market and by limitations on equipments and parts purchased from abroad. Inflation remained high and, according to INDEC, the annual inflation as of December 2012 was 10.8%, which is substantially lower than private estimates.
- Argentine international commerce contracted in 2012, due to lower levels of exports of 3%, amounting to US\$ 81.2 billion and reduced imports of 7%, totaling US\$68,5 billion. As a result, the trade balance totaled US\$12.7 billion increasing 27% over 2011. The strong drought affected agricultural production and its exports, while industrial exports dropped 4% year over year, mainly due to a weaker demand from the Brazilian economy. The imports reduction is due to the lower levels of investments and the decelerated economic growth.
- Expansive fiscal spending continued through 2012, growing by 31%. Despite efforts to cap public subsidies and transfers to the provinces, the increase on public social spending contributed to record high spending as a percent GDP. Fiscal revenues expanded 30% over 2011, due to a slowing economy and diminished export taxes, which helped to reach the first non-Financial Public Sector deficit in decades, of 4.4 billion pesos or 0.2% of GDP. When public debt services (interests and GDP Warrants) are considered the Fiscal Deficit reached 55.6 billion pesos, close to 2.5% in GDP terms. A significant portion of government revenues were obtained from transfers from the Central Bank and the National Pension Funds.
- The official exchange rate slightly accelerated through 2012 with depreciation of 14.4%, ending 2012 at P\$4.92 per US\$1.00 dollar. The BCRA intervened in the exchange market acquiring and selling foreign currency when supply and demand grew strongly, avoiding a nominal appreciation or depreciation and reducing the volatility on the exchange rate. The Government continued implementing measures to increase control over the exchange market, such as the need for prior authorization from the tax authorities (AFIP) when acquiring foreign currency in the market. The new restrictions deepened the gap between the official FX rate and the implicit FX rate already mentioned.
- Monetary indicators continued to show signs of expansion; the monetary base rose 38% in 2012. This expansion was mainly driven by increasing assistance from the Central Bank to the National Treasury and the Central Bank's positive net purchases of foreign currencies in the exchange market, part of which were then transferred to the national government to serve service the national debt. Private deposits in pesos rose 41% annually, helped by the growth in time deposits, on the contrary deposits in dollars decreased 35% when compared to the end of 2011. As a result, interest rates on placements (Private Badlar rate) performed at an average rate of 14%. Despite the economic slowdown, loans granted in pesos continued expanding due to the high liquidity of the financial system and BCRA initiatives to foster lending, thus encouraging private consumption. Finally, international reserves totaled 43,292 million dollars as of December 31, 2012, showing a 7% year over year decrease.

- The labor market was relatively stable despite a slowing economy, reaching an unemployment rate of 6.9% in the final quarter of 2012, a small increase from the same quarter a year ago. Furthermore, salaries in nominal terms expanded 24.5% annually, as of December 2012.

- According to public figures, the Gross National Public Debt amounted to US\$183 billion as of June 2012, which represented approximately 41.5% of Argentina's GDP, not including those securities that were eligible for, but not tendered in 2005 and 2010 Debt Exchanges of its 2002 defaulted debt. The holdouts situation has not been resolved and is subject to continued litigation, which is disturbing the normal access to the international financial markets and impacting sovereign risk. Nonetheless, Argentina holds a solid position in terms of public indebtedness; its level of debt to GDP is relatively

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low, and a significant amount is held by National Public Sector Agencies (54.9% of the total National Debt) like ANSES. As a result, the portion of public debt exposed to market risk represents nearly one third of the total debt.

The Argentine economy faced many changes in 2012 and showed a strong deceleration that had an impact on the telecommunication sector. An improved scenario is expected for 2013, hopefully aided by the recovery of the agricultural production and the Brazilian economy.

Because the substantial majority of our property and operations are located in Argentina, macroeconomic and political conditions in Argentina will continue to affect us. The Argentine government has exercised and continues to exercise significant influence over many aspects of the Argentine economy. Accordingly, Argentine governmental actions concerning the economy could significantly affect private sector entities in general and our operations in particular, as well as affect market conditions, prices and returns on Argentine securities, including ours. While our business continued growing in 2012, our operating results, financial condition and cash flows remain vulnerable to fluctuations in the Argentine economy. See Item 3 Key Information Risk Factors Risks relating to Argentina .

Critical Accounting Policies

Our Consolidated Financial Statements, prepared in accordance with IFRS, are dependent upon and sensitive to accounting methods, assumptions and estimates that we use as a basis for its preparation. We have identified critical accounting estimates and related assumptions and uncertainties inherent in our accounting policies (that are fully described in Note 3 to our Consolidated Financial Statements), which we believe are essential to an understanding of the underlying financial reporting risks. Additionally we have identified the effect that these accounting estimates, assumptions and uncertainties have on our Consolidated Financial Statements.

Use of estimates

IFRS involves the use of assumptions and estimates that may significantly affect the reported amounts of assets, liabilities and results of operations and any accompanying financial information.

Management considers financial projections in the preparation of the financial statements as further described below. These financial projections anticipate scenarios deemed both likely and conservative based upon macroeconomic, financial and industry-specific assumptions. However, actual results may differ significantly from such estimates.

Variations in the assumptions regarding exchange rates, rates of inflation, level of economic activity and consumption, creditworthiness of our current and potential customers, aggressiveness of our current or potential competitors and technological, legal or regulatory changes could also result in significant differences from financial projections used by us for valuation and disclosure of items under IFRS.

The most important accounting estimates, those which require a high degree of subjective assumptions and judgments, are the following:

Revenue recognition

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Telecom Group and their amount can be measured reliably. Revenues are stated net of estimated discounts and returns.

Revenues from upfront connection fees for fixed, data and Internet services that are non-separable from the service are accounted for as a single transaction and deferred over the term of the contract or, in the case of indefinite period contracts, over the average period of the customer relationship (approximately nine years for the fixed telephony customers). Therefore, these revenues are influenced by the estimated expected duration of customer relationships for indefinite period contracts.

Revenues are also subject to estimations of the traffic measures. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on the traffic and are accrued at the end of the month. In addition, revenues from unexpired prepaid calling cards are recognized on the basis of the minutes used, at the contract price per minute.

Changes in these estimations, if any, may require adjustments to recorded revenues.

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PP&E and intangible assets

Useful lives and residual value

We record PP&E and intangible assets at acquisition or construction cost. PP&E and intangible assets, except for indefinite useful life intangibles, are depreciated or amortized on a straight-line basis over their estimated useful lives. The determination of the depreciable amount of the assets and their useful lives involves significant judgment. We periodically review, at least at each financial year-end, the estimated useful lives of its PP&E and amortizable intangible assets.

Recoverability assessment of PP&E and intangible assets with finite useful life

At least at every annual closing date, we assess whenever events or changes in circumstances indicate that PP&E and amortizable intangible assets may be impaired.

Under IFRS, the carrying value of a long-lived asset is considered impaired by the Company when the recoverable amount of such asset is lower than its carrying value. In such event, a loss would be recognized based on the amount by which the carrying value exceeds the recoverable amount of the long-lived asset. The recoverable amount is the higher of the fair value (less costs to sell) and its value in use (present value of the future cash flows expected to be derived from the asset, group of assets or cash generating unit). Once an impairment loss is identified and recognized, future reversal of impairment loss is permitted only if the indicators of the impairment no longer exist or have decreased.

The identification of impairment indicators and the estimation of the value in use for assets (or groups of assets or cash generating units) require Management to make significant judgments concerning the validation of impairment indicators, expected cash flows and applicable discount rates. Estimated cash flows are based on significant Management's assumptions about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, capital cost, etc.

For the years presented, we estimated that there are no indicators of impairment of assets that are subject to amortization.

However, changes in our current expectations and operating assumptions, including changes in our business strategy, technology, competition, changes in market conditions or regulations, and the outcome of the rates negotiations for regulated fixed services with the Argentine government, could significantly impact these judgments and could require future adjustments to the carrying amount of recorded assets.

Intangible assets with indefinite useful life PCS license

We determined that Personal's PCS license met the definition of an indefinite-lived intangible asset for the years presented. Therefore, Personal does not amortize the cost of its license. However, Personal tests it annually for impairment. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverability assessment of an indefinite-lived intangible asset such as the PCS license requires our Management to make assumptions about the future cash flows expected to be derived from such asset.

Such estimated cash flows are based on significant Management's assumptions about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, discount rate, etc.

Personal's net cash flows projection is denominated in Argentine Pesos, its functional currency. However, due to the fact that there is no prevailing long-term discount rate in pesos available in the market, Personal: (a) has converted such peso-denominated cash flows into US dollars using future estimated exchange rates applicable to each period; and (b) has discounted these US dollar-denominated cash flows at an annual US dollar rate of approximately 14% in order to obtain the recoverable value of intangible assets with indefinite useful life. Future cash flows estimates are based on Management's projections for a period not to exceed five years and then taken to perpetuity assuming a growth rate of 2% per annum.

Through this evaluation, it was determined that the carrying amount of the PCS license did not exceed the recoverable amount of the asset. As a result, no impairment has been recognized.

Our judgments regarding future cash flows may change due to future market conditions, competition, business strategy, the evolution of technology, changes in regulations and other factors. These changes, if any, may require material adjustments to the carrying amount of the PCS license.

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Income Taxes and Recoverability assessment of deferred income tax assets

We are required to estimate our income taxes (current and deferred) in each of the companies of the Telecom Group according to a reasonable interpretation of the tax law in effect in each jurisdiction where the companies operate. This process may involve complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized for all deductible temporary differences to the extent that future taxable income will be available against which they can be utilized. The measurement of the recoverability of deferred tax assets requires estimating future taxable income based on the Company's projections and takes into account conservative tax planning. If actual results differ from these estimates due to changes in tax authority's interpretations and the new fiscal jurisprudence, or we adjust those estimates in future periods, our financial position, results of operation and cash flows may be materially affected.

The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law as of the end of the reporting period and the effects of future changes in tax laws or rates are not anticipated.

Receivables and payables valued at amortized cost

Receivables and payables valued at amortized cost are initially recorded at their fair value, which is generally determined by using a discounted cash flow valuation method. The fair value under this method is estimated as the present value of all future cash flows discounted using an estimated discount rate, especially for long-term receivables and payables. The estimated discount rate used to determine the discounted cash flow of long-term receivables and payables is an annual rate in pesos ranging between 19% and 28% for years 2012 and 2011. Additionally, an annual U.S. dollar rate of approximately 8% was used for discounting long-term receivables denominated in U.S. dollars during 2012 and 2011. The difference between the initial fair value and the nominal amount of receivables and payables is recognized as finance income or expense using the effective interest method over the relevant period.

Changes in these estimated discount rates could materially affect our financial position and results of operations.

Provisions

We are subject to proceedings, lawsuits and other claims related to labor, civil, tax, regulatory and other matters. In order to determine the proper level of provisions relating to these contingencies, we assess the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. We consult with internal and external legal counsel on these matters. A determination of the amount of provisions required, if any, is made after careful analysis of each individual issue. Our determination of the required provisions may change in the future due to new developments in each matter, changes in jurisprudential precedents and tribunal decisions or changes in our method of resolving such matters, such as changes in settlement strategy, and, therefore, these changes may materially affect our financial position and results of operations.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make the required payments. We base our estimates on the aging of our accounts receivable balances, our historical write-offs, customer creditworthiness and changes in our customer payment terms when evaluating the adequacy of our allowance for doubtful accounts. If the financial condition of our customers were to deteriorate, our actual write-offs could be higher than expected.

Years ended December 31, 2012, 2011 and 2010

For purposes of these sections, the fiscal years ended December 31, 2012, 2011 and 2010 are called 2012, 2011 and 2010, respectively.

Our results of operations are determined in accordance with IFRS. The Telecom Group provides customers with a broad range of telecommunication services. To fulfill its purpose, it conducts different activities that are distributed among the companies in the Group. Each company represents an operating segment. These operating

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segments have been aggregated into the following segments according to the nature of the products and services provided and economic characteristics:

Segment	Company of the Telecom Group / Operating Segment
Fixed Services	Telecom Argentina S.A.
	Telecom Argentina USA, Inc.
	Micro Sistemas S.A. (i)
Personal Mobile Services	Telecom Personal S.A.
	Springville S.A. (i)
Núcleo Mobile Services	Núcleo S.A.

(i) Dormant entity at December 31, 2012.

The main products and services in each segment are:

- Fixed Services: local area, national long-distance and international communications, supplementary services (including call waiting, itemized invoicing, voicemail, etc.), interconnection with other operators, data transmission (including private networks, point-to-point traffic, radio and TV signal transmission), Internet services (Broadband and Arnet Mobile), IT solution outsourcing and sales of equipment.
- Personal Mobile Services and Núcleo Mobile Services: voice communications, GSM and 3G mobile communications over UMTS / HSPA / HSPA+ networks (including high-speed mobile Internet content and applications download, multimedia messaging, online streaming, corporate e-mail, social network access and contacts save services) and sale of mobile communication devices (handsets, 3G modems and tablets).

The following table shows a breakdown of our revenues by business segment for the year ended December 31, 2012:

Segment	Revenues (1) (P\$ million)	Percentage of Consolidated Revenues
Fixed Services	6,023	27.2
Personal Mobile Services	15,227	68.9
Núcleo Mobile Services	867	3.9
TOTAL	22,117	100.0

(1) Includes service revenues and equipment sales and the effect of elimination of intersegment transactions.

Management's explanations under (B) Results of Operations by Segment below regarding changes in financial condition and results of operations for years 2012, 2011 and 2010 related to segments of the Company have been provided based on financial information under IFRS as disclosed in Note 28 to our Consolidated Financial Statements. For the year 2011, the CEO assessed the operating segments performance both under Argentine GAAP and IFRS. During the year 2010, the financial information provided to the CEO was based on Argentine GAAP. However, we believe that Management discussion based on IFRS for years 2011 and 2010 provides a more useful and easier understanding of the Company's business and represents the measurement principles most consistent with those used in measuring the corresponding amounts in our Consolidated Financial Statements.

Factors Affecting Results of Operations

Described below are certain factors that may be helpful in understanding our operating results. These factors are based on the information currently available to our Management and may not represent all of the factors that are relevant to an understanding of our current or future results of operations. Additional information regarding trends expected to influence our results of operations are analyzed below under Trend Information.

Impact of Political and Economic Environment in Argentina. Levels of economic activity affect our customers' consumption of local and long-distance traffic, the demand for new fixed lines, Broadband and mobile services and the levels of uncollectible accounts and disconnections. Demand for our services and the amount of revenues we collect is also affected by inflation, exchange rate variations and the rate of unemployment, among others. The same factors, but to a lesser degree, affect the activity of Núcleo, that operates in Paraguay.

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Rate Regulation. Revenue from our Fixed Services segment will depend principally on the number of lines in service, the minutes of use or traffic for local and long-distance services and the rates charged for services. The rates that Telecom Argentina charges in its fixed telephony service (including both monthly basic charges and measured service charges), installation charges, public telephone charges and charges for Internet Dial-Up traffic (Regulated Services) are subject to regulation. These rates were pesified and rate increases were frozen by the Argentine government in 2002. Telecom Argentina has been in discussions with regulators with respect to rate adjustments and, on March 6, 2006, Telecom Argentina signed the Letter of Understanding 2006 with the Argentine government which permits Telecom Argentina to raise certain of its regulated rates. However, the agreement is still subject to the implementation of certain administrative steps and the pending approval by the legislative branch. Although the Company's Management expects that the contract renegotiation process will be satisfactorily completed, to date there is no certainty regarding either the outcome of the negotiations or the timing of such outcome. The impact of the rates pesification on Telecom Argentina's results of operations has been particularly relevant in recent years as a result of inflationary pressures on Telecom Argentina's costs structure. See Item 3 Key Information Risk Factors and Economic and Political Developments in Argentina.

The mobile business is not a rate-regulated industry. However, certain social or political factors could negatively affect rate adjustments, thus delaying their application to set-off the cost increases and higher capital expenditures that are required to maintain the quality of services. See Item 3 Key Information Risk Factors Risks associated with Telecom and its operations.

Competition. The Argentine telecommunications market has become increasingly competitive. Competition is mainly focused on fixed services for large customers, small enterprises and government, Internet and mobile services. To remain competitive, we must devote significant resources to capital expenditures, subscriber acquisitions costs and trade expenses (including advertising and selling commissions).

Personal and Núcleo subscribers bases are expected to continue expanding in 2013 although at more moderate rates than those of recent years, especially in Broadband and mobile Internet subscribers. We aim to obtain high-value mobile subscribers and encourage consumption through the launch of new products and services. Value Added Services will continue to be one of the main drivers of revenue growth in the mobile services business.

Also, competition has increased as a result of the implementation of the Number Portability Regulation in March 2012, which also resulted in higher subscriber retention costs.

Technology Developments and Capital Expenditures. Improvements in technology influence demand for services and equipment by our customers. For example, demand for fixed-line telecommunications services has been affected by continued significant growth in mobile business. Growth in the fixed-services business at present is being driven by the expansion of Broadband for individuals and corporations and our continuous updating of commercial and support systems. The increase in Broadband adoption has also proven to be a critical factor in facilitating the offering of Value Added Services to customers and the bundling of services. In the fixed-services business, we must invest in our fixed-line network and information technology. Specifically, in Internet services, we must constantly upgrade our access technology and software, embrace emerging transmission technologies and improve the responsiveness, functionality, coverage and features of our services.

In the mobile business, to provide its subscribers with new and better services, Personal has to enhance its mobile networks by expanding the network infrastructure and extending 3G and HSPA+ technology and bandwidth for mobile data transmission.

In addition, as new technologies develop, equipment may need to be replaced or upgraded and 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.

Devaluation of the peso. The peso has been subject to significant devaluations in the past. The majority of our revenues are received in pesos whereas a portion of the materials and supplies related to the construction and maintenance of our networks and services are incurred in foreign currencies. Consequently, the Pesification of our regulated rates in the fixed services and the high level of competition limits our ability to transfer to our customers the fluctuations in the exchange rates between the peso and the U.S. dollar and other currencies. In addition, any devaluation of the peso against foreign currencies may increase operating costs and capital expenditures, which will adversely affect our results of operations, considering the net effect on revenues and costs.

Increase in inflation. In the past, Argentina has experienced periods of high inflation. In recent years, inflation levels have been increasing and have remained relatively high. The economic recovery, a higher

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increase in public spending or a fast devaluation of the Argentine peso could lead to higher inflation. Any increase in inflation levels not accompanied by an increase in the rates we charge our customers could adversely affect our results of operations in nominal and real terms.

Tax pressures and litigation. Local municipalities in the regions where we operate have introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed-line and mobile networks. Local and federal tax authorities have brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. Also, jurisprudential changes in labor and pension matters have generated higher claims from employees and former employees and also increased claims from employees of a contractor or subcontractor alleging joint liability. We cannot assure you that the laws and regulations currently governing the economy or the telecommunications industry will not change, that the claims will be resolved in our favor, or that any changes to the existing laws and regulations will not adversely affect our business, financial condition, results of operations and cash flows as well.

(A) Consolidated Results of Operations

In the year ended December 31, 2012, we reported net income of P\$2,732 million, compared to net income of P\$2,542 million for the year ended December 31, 2011, and net income of P\$1,949 million for the year ended December 31, 2010.

Consolidated revenues in 2012 were P\$22,117 million compared to P\$18,498 million in 2011 and P\$14,627 million in 2010. The increase of P\$3,619 million in 2012 (a 20% increase) can be largely attributed to the growth in the Personal Mobile Services segment and in Internet services included in the Fixed Services segment.

In 2012, operating expenses (including depreciation and amortization) totaled P\$18,238 million, representing an increase of P\$3,545 million, or 24%. The most significant changes in operating expenses included increases in employee benefit expenses and severance payments, taxes and fees with the Regulatory Authority (mainly caused by the increase in revenues), cost of equipments and handsets (due to an expansion of the subscriber base and customer upgrade of mobile handsets), commissions (as a result of the increase in prepaid subscriber base), energy fees, restructuring costs and in fees for services, maintenance, materials and supplies (attributable to increased service costs related to call centers, and the effect of inflation on prices).

In 2011, operating expenses (including depreciation and amortization) totaled P\$14,693 million, representing an increase of P\$3,196 million, or 28% compared to 2010. The most significant changes in operating expenses included increases in employee benefit expenses and severance payments, taxes and fees with the Regulatory Authority (mainly caused by the increase in revenues), cost of equipments and handsets (due to an expansion of the subscriber base and customer upgrade of mobile handsets), commissions, advertising (mainly as a result of Personal s rebranding and other promotional campaigns) and in fees for services, maintenance, materials and supplies (attributable to increased service costs related to call centers, higher supplies consumption and the effect of inflation on prices).

Our fixed telephony service (10% of the consolidated revenue in 2012 vs. 12% in 2011) is still affected by the Pesification and freezing of regulated rates in early 2002; as a result, the increase in the 2012 structure of operating expenses for the Fixed Services segment (18%) is higher than the increase in revenues (14%).

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Since fiscal year 2012, the Company's Management has changed the calculating method of the Operating income before Depreciation and Amortization by not considering within it the Gain on disposal of PP&E previously disclosed within the line Revenues and other income and from this fiscal year are shown below Operating income before Depreciation and Amortization, as part of Operating income. Accordingly, comparative figures for years ended December 31, 2011 and 2010 have been adapted in the consolidated income statements.

Table of Contents**(A.1) 2012 Compared to 2011**

	Years Ended December 31,			Change by segment (1)			Núcleo Mobile Services
	2012 (P\$ millions)	2011	Total Change %	Fixed Services (P\$ millions)	Personal Mobile Services		
Revenues	22,117	18,498	20	3,619	694	2,772	153
Other income	79	30	163	49	55	(6)	
Operating expenses (without depreciation and amortization)	(15,626)	(12,535)	25	(3,091)	(860)	(2,146)	(85)
Operating income before depreciation and amortization (2)	6,570	5,993	10	577	(111)	620	68
Depreciation and amortization	(2,612)	(2,158)	21	(454)	(111)	(336)	(7)
Gain on disposal of PP&E	8	22	(64)	(14)	(13)	(1)	
Operating income	3,966	3,857	3	109	(235)	283	61
Financial results, net	229	80	186	149	83	64	2
Income tax expense	(1,463)	(1,395)	5	(68)	5	(67)	(6)
Net income	2,732	2,542	7	190	(147)	280	57
Net income attributable to:							
<i>Telecom Argentina (Controlling Company)</i>	2,685	2,513	7	172			
<i>Noncontrolling interest</i>	47	29	62	18			

(1) Includes the effect of eliminations of Intersegment transactions.

(2) Although it is not specifically defined, this is a permitted measure under IFRS. See Management Overview for a discussion of the use of this measure.

Revenues

During 2012, total consolidated revenues increased by 20% to P\$22,117 million from P\$18,498 million in 2011, mainly driven by our mobile, Broadband and data transmission businesses.

Consolidated revenues for 2012 and 2011 are comprised as follows:

	Years Ended December 31,			Change by segment(1)		Núcleo Mobile Services
	2012 (P\$ millions)	2011	Total Change %	Fixed Services (P\$ millions)	Personal Mobile Services	

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Voice	9,927	9,184	8	743	110	572	61
Data	6,767	5,316	27	1,451	152	1,283	16
Internet	3,395	2,411					