TELECOM ARGENTINA SA
Form 6-K
August 28, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2018

Commission File Number: 001-13464

Telecom Argentina S.A.

(Translation of registrant s name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes o No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes o No x

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Telecom Argentina S.A.

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Telecom Argentina S.A.

You should carefully review the information contained herein before making an investment decision. However, the unaudited pro-forma information contained in TEO s unaudited consolidated financial statements as of and for the six-month period ended June 30, 2018 is provided for comparative purposes only in order to illustrate, on a pro forma basis, the financial effects attributable to the merger (the Merger) between Telecom Argentina S.A. (TEO) and Cablevisión S.A. (Cablevisión) on TEO s unaudited consolidated financial statements as of and for the six-month period ended June 30, 2018, which are included in this 6-K.

We have not authorized anyone to provide information that is different or additional to the information contained in this 6-K. We do not take responsibility for any other information about TEO or Cablevisión that others may give you. If anyone provides you with different or additional information, not included in this 6-K, you should not rely on it. You should assume that the information in this 6-K relating to TEO or Cablevisión is accurate only as of January 1, 2018 (the Merger Effective Date), regardless of the time it is delivered. All defined terms not otherwise defined herein will have the meaning assigned to them in our annual report on Form 20-F for the year ended December 31, 2017, filed with the SEC on April 20, 2018, which we refer to as the TEO 2017 20-F.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Telecom Argentina S.A. is a company incorporated under the laws of Argentina. Unless otherwise stated, 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, 2017. 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.

Our unaudited consolidated financial statements as of June 30, 2018 and 2017 and for the six-month period ended June 30, 2018 and 2017 and the notes thereto (the TEO 2Q 2018 Unaudited Consolidated Financial Statements), have been prepared in accordance with IFRS as issued by the IASB and have been reviewed by Price Waterhouse & Co. S.R.L. (a member firm of the PricewaterhouseCoopers network) an independent registered public accounting firm (Price Waterhouse).

Third-Party Information

The information set forth in this 6-K with respect to the market environment, market developments, growth rates, trends and competition in the markets and segments in which TEO operates are based on information published by the Argentine federal and local governments through the *Instituto Nacional de Estadísiticas y Censos* (the National Statistics and Census Institute, or INDEC) and the Ministry of Public Works, the Central Bank (defined below), the *Dirección General de Estadística y Censos de la Ciudad de Buenos Aires* (General Directorate of Statistics and Census of the City of Buenos Aires) and the *Dirección Provincial de Estadística y Censos de la Provincia de San Luis* (Provincial Directorate of Statistics and Census of the Province of San Luis), as well as on independent third-party data, statistical information and reports produced by unaffiliated entities such as Dataxis, International Data Corporation (IDC), SNL Kagan Media-Communications (Kagan) and Pyramid Research Inc. (Pyramid), as well as on our own internal estimates.

Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward looking and speculative. This 6-K also contains estimates made by us based on third-party market data, which in turn is based on published market data or figures from publicly available sources.

We have not verified the figures, market data or other information on which third parties have based their studies nor have such third parties verified the external sources on which such estimates are based. Therefore we do not guarantee, nor do we assume responsibility for, the accuracy of the information from third-party studies presented in this 6-K or for the accuracy of the information on which such third-party estimates are based.

This 6-K also contains estimates of market data and information derived therefrom which cannot be gathered from publications by market research institutions or any other independent sources. Such information is based on our internal estimates. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. We believe that these internal estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which we operate as well as our position within this industry. Although we believe that our internal market observations are reliable, such estimates are not reviewed or verified by any external sources. In addition, such estimates reflect various assumptions made by us that may or may not prove accurate, as well as the exercise of a substantial degree of judgment by management as to the scope and presentation of such information. No representations or warranties can be made concerning the accuracy of our estimates of market data and the information received therefrom. These may deviate from market data estimates made by our competitors or future statistics provided by market research institutes or other independent sources. We cannot assure you that our market data estimates or the assumptions are accurate or correctly reflect the state and development of, or our position in, the industry.

Pro Forma Summarized Financial Information of TEO

This 6-K includes, to illustrate the financial effects attributable to the Merger for comparative purposes only, unaudited pro forma summarized financial information. Telecom s unaudited pro forma consolidated income statement assumes that the Merger was consummated on January 1, 2017 (see Note 4 a. to the TEO 2Q 2018 Unaudited Consolidated Financial Statements). The unaudited pro forma consolidated income statement for the six-month period ended June 30, 2017 are based upon, derived from, and should be read in conjunction with (i) the consolidated financial statements of TEO as of and for the six-month period ended June 30, 2017 and 2016 (the Telecom 2Q 2017 Financial Statements), and (ii) the consolidated financial statements of Cablevisión as of and for the six-month period ended June 30, 2017 and 2016 (the Cablevisión 2Q 2017 Financial Statements). The accompanying unaudited pro forma consolidated income statements give effect to adjustments that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) are expected to have a continuing impact on the consolidated results.

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The Merger will be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3 Business Combinations (IFRS 3), with Cablevisión selected as the accounting acquirer under this guidance. Under IFRS 3, all assets acquired and liabilities assumed are generally recorded at their acquisition date fair value. For purposes of preparing the unaudited pro forma consolidated income statement, the fair value of TEO s identifiable tangible and intangible assets acquired and liabilities assumed are based on an estimate of fair value. Management believes the estimated fair values utilized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions. Fair value estimates may change as additional information becomes available and such changes could be material.

For more information, see Operating and Financial Review and Prospects as of June 30, 2018 in the TEO 2Q 2018 Consolidated Financial Statements.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF JUNE 30, 2018

(In millions of Argentine pesos or as expressly indicated)

1. General considerations

As required by CNV regulations, the Company has prepared its unaudited consolidated financial statements as of June 30, 2018 under IFRS. Additional information is given in Note 1 to the unaudited consolidated financial statements.

2. Telecom Group s activities for the six-month periods ended June 30, 2018 (1H18) and 2017 (1H17)

The following Operating and Financial Review and Prospects for the six-month period ended June 30, 2018 (the Operating and Financial Review) incorporate the effect of the merger between Telecom Argentina and Cablevisión effective as of January 1, 2018, and the result of the operations from that date of the merged entities carried out by Telecom Argentina as successor since the merger. The Merger has been accounted for as a reverse acquisition under IFRS 3. Under this accounting method, Telecom (the surviving entity) has been considered the accounting acquiree and Cablevisión (the legally absorbed entity) has been considered the accounting acquirer. Additional information concerning the presentation of the financial information, accounting treatment and other information required by IFRS 3 related to merger is provided in Notes 1.c), 3.d.5) and 4.a) to the unaudited consolidated financial statements, and it is recommended to read it in conjunction with this Operating and Financial Review and Prospects.

Consolidated Income Statements under IFRS

			Variation	
	1H18	**1H17**	**$**	**%**
Revenues	64,179	19,233	44,946	233.7
Operating costs without depreciation and amortization	(40,883)	(11,707)	(29,176)	249.2
Depreciation, amortization and impairment of PP&E	(9,642)	(1,833)	(7,809)	426.0
Operating income	**13,654**	**5,693**	**7,961**	**139.8**
Earnings from associates	91	78	13	16.7
Financial results, net	(20,847)	(894)	(19,953)	2,231.9
(Loss) Income before income tax benefit (expense)	**(7,102)**	**4,877**	**(11,979)**	**n/a**
Income tax benefit (expense)	2,230	(1,705)	3,935	n/a
Net (loss) income	**(4,872)**	**3,172**	**(8,044)**	**n/a**
Attributable to:				
Controlling Company	(4,912)	3,139	(8,051)	n/a
Non-controlling interest	40	33	7	21.2
	(4,872)	**3,172**	**(8,044)**	**n/a**
Basic and diluted earnings per share attributable to the Controlling Company (in pesos)	**(2.28)**	**2.65**		

Revenues amounted to $64,179 in 1H18, operating costs -including depreciation, amortization and impairment of PP&E- amounted to $50,525, operating income amounted to $13,654 equivalent to 21.3% of consolidated revenues- and net loss amounted to $4,872 equivalent to -7.6% of consolidated revenues-, as a consequence of the devaluation of the peso during 1H18 (+55.0% or $10.2/USD) that generated a net foreign currency exchange loss of $19,882 in 1H18 for net liabilities in foreign currency. Net loss attributable to the Controlling Company amounted to $4,912.

Consolidated revenues were mainly fueled by mobile services, Internet and Cable TV services. Services revenues amounted to $59,133 -equivalent to 92.1% of consolidated revenues-, and equipment revenues amounted to $5,046 -equivalent to 7.9% of consolidated revenues-.

Mobile services revenues amounted to $22,398 -equivalent to 34.9% of consolidated revenues- which were mainly generated by Personal s customers in Argentina.

Cable TV services amounted to $13,872 -equivalent to 21.6% of consolidated revenues- and they are composed mainly of cable TV services provided in Argentina and Uruguay.

Additionally, Internet services revenues amounted to $14,435 equivalent to 22.5% of consolidated revenues- and fixed telephony and data services amounted to $8,247 equivalent to 12.8% of consolidated revenues-.

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Operating costs without depreciation, amortization and impairment of PP&E amounted to $40,883 during 1H18, and was mainly comprised of employee benefit expenses and severance payments (which totaled $11,054); fees for services, maintenance, materials and supplies (which totaled $6,239); taxes and fees with the Regulatory Authority (which totaled $5,235); programming and content costs (which totaled $4,529); and commissions and advertising (which totaled $3,818).

Depreciation, amortization and impairment of PP&E totaled $9,642 during 1H18 -equivalent to 15.0% of consolidated revenues-, including $3,197 of additional depreciation and amortization due to the allocation of the higher value to PP&E and Intangibles in the recording of the Merger through the reverse acquisition method (see Note 4.a) to the unaudited consolidated financial statements).

Operating income for 1H18 amounted to $13,654, resulting in a margin over consolidated revenues of 21.3%.

Financial results, net amounted to a loss of $20,847 in 1H18, mainly due to net foreign currency exchange rate losses totaling $19,882, as of a consequence of the devaluation of the peso during 1H18 (+55.0% or $10.2/USD), interests on debts totaling $1,345, and taxes and bank expenses totaling $607, which were partially offset by interests and gains on investments totaling $600 and results on operations with notes and bonds totaling $655.

The income tax benefit in 1H18 was $2,230 mainly due to the loss before taxes that generated a deferred taxes gain related to the recognition of tax carryforward.

Telecom Argentina recorded a net loss of $4,872 in 1H18, which represents -7.6% of consolidated revenues. Net loss attributable to the controlling shareholders amounted to $4,912 in 1H18, and the loss per share amounted to $2.28 pesos.

Unaudited Proforma consolidated income statements

For purposes of facilitating the understanding and analysis of the evolution of the Company s results in 1H18 compared to 1H17 by readers of this Review and Prospects, the following table is included as additional information presenting the comparative figures of 1H17 (PF1H17) on a pro forma basis as if the merger between Telecom and Cablevisión would have occurred on January 1, 2017, according to the criteria and premises described in section 9. It is worth noting that the information included in PF1H17 does not correspond to figures elaborated under IFRS, and they are only provided for the specific proposes mentioned in this paragraph.

			Variation	
	1H18	**PF1H17 (*)**	**$**	**%**
Revenues	64,179	49,705	14,474	29.1
Operating costs without depreciation and amortization	(40,883)	(32,657)	(8,226)	25.2

Depreciation, amortization and impairment of PP&E	(9,642)	(7,928)	(1,714)	21.6
Operating income	**13,654**	**9,120**	**4,534**	**49.7**
Earnings from associates	91	78	13	16.7
Financial results, net	(20,847)	(1,422)	(19,425)	1.366.0
(Loss) income before income tax benefit (expense)	**(7,102)**	**7,776**	**(14,878)**	**n/a**
Income tax benefit (expense)	2,230	(2,715)	4,945	n/a
Net (loss) income	**(4,872)**	**5,061**	**(9,933)**	**n/a**
Attributable to:				
Controlling Company	(4,912)	5,028	(9,940)	n/a
Non-controlling interest	40	33	7	21.2
	(4,872)	**5,061**	**(9,933)**	**n/a**

(*) As arise from pro forma information included in section 9 of this Review and Prospects.

- **Revenues**

During 1H18 consolidated total revenues increased 29.1% (+$14,474 vs. PF1H17) amounting to $64,179 mainly driven by changes in the prices of internet services, premium cable TV services and mobile services.

Services revenues amounted to $59,133 (+28.3% vs. PF1H17) and represented 92.1% of consolidated revenues (vs. 92.7% in PF1H17). Equipment revenues increased 39.9%, amounting to $5,046 and represented 7.9% of consolidated revenues (vs. 7.3% in PF1H17).

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Mobile Services

Mobile services revenues amounted to $22,398 (+$3,402 or +17.9% vs. PF1H17), being the principal business segment in revenues terms (37.9% and 41.2% of services consolidated revenues in 1H18 and PF1H17, respectively). The increase was due to the revenues generated from mobile services in Argentina.

Most of the Company s customers in Argentina use the mobile services provided under the Personal trademark. The main ratios related to the services provided to these customers were:

- Approximately 63% of the total of customers corresponds to prepaid customers, and 37% to postpaid customers.
- The churn rate per month amounted to 2.8% in 1H18 (vs. 2.5% in PF1H17).
- The average revenue per user (ARPU) amounted to $165.0 pesos per month in 1H18 (vs. $135.3 pesos per month in PF1H17), representing a 21.9% increase.

Mobile services revenues in Argentina amounted to $20,308 (+$2,579 or +14.5% vs. PF1H17) were mainly generated by the increase in monthly charges prices of postpaid and Abono fijo customers, and the increase in the online recharges in the prepaid subscriber base, partially offset by a decrease in CPP services revenues.

Mobile services revenues generated in Paraguay amounted to $2,090 (+$823 or +65.0% vs. PF1H17)

The main ratios related to the mobile services in Paraguay were:

- Approximately 83% of the total of customers corresponds to prepaid customers, and 17% to postpaid customers.
- The churn rate per month amounted to 3.1% in 1H18 (vs. 2.4% in PF1H17).
- The average revenue per user (ARPU) amounted to $127.8 pesos per month in 1H18 (vs. $79.6 pesos per month in PF1H17), representing a 60.6% increase, due to a 15.8% increase in the ARPU in guaraníes plus the effect of the variation of the average exchange rate.

Internet Services

Internet services revenues amounted to $14,435 in 1H18 (+$3,598 or +33.2% vs. PF1H17) as a result of the increase in the average plans prices. The broadband ARPU amounted to $585.1 pesos per month in 1H18 (+42.0% vs. PF1H17).

Cable Television Services

Cable TV service revenues amounted to $13,872 (+$3,761 or +37.2% vs. PF1H17). This increase is due to an increase in sales of value added services and increase in prices modifications. The ARPU amounted to $653.3 pesos per month in 1H18 (+26.3% vs. PF1H17). The monthly average churn during 1H18 amounted to 1.1% (vs. 1.2% in PF1H17).

Fixed and Data Services

Revenues generated by fixed telephony and data services amounted to $8,247 (+$2,657 or +47.5% vs. PF1H17), mainly due to monthly charges price increases for both corporate and residential fixed telephony customers, and additionally greater sales of product packs that include voice and internet services (Arnet + Voz), that aim to achieve higher levels of customer loyalty and churn reduction.

As a result, the average monthly revenue billed per user (ARBU) of fixed telephony services was increased to $204.8 in 1H18, (vs. $140.9 in PF1H17) which represents a 45.3% increase.

Data revenues increased in the context of the Company s position as an integrated ICTs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to the variation of the $/US$ exchange rate related to agreements settled in such foreign currency.

Equipment

Equipment revenues amounted to $5,046, +$1,438 or +39.9% vs. PF1H17. This variation is mainly due to the increase in handset sale prices of the mobile services customers and the rise in participation of high-end devices.

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- **Operating costs**

Consolidated operating costs including depreciations, amortizations and disposal and impairment of PP&E totaled $50,525 in 1H18, which represents an increase of $9,940 or +24.5% vs. PF1H17. The increase in costs is mainly a consequence of higher revenues, the competition in mobile, Cable TV services and Internet, higher direct and indirect labor costs on the cost structure of the operations in Argentina, and the increase in costs of services contracted with our suppliers that has caused a growth in the cost structure, higher programming and content costs due to cost from the incorporation of broadcasting signals of football matches.

The costs breakdown is mainly as follows:

Employee benefit expenses and severance payments

Employee benefit expenses and severance payments amounted to $11,054 (+$1,945 or +21.4% vs. PF1H17). The increase was mainly due to increases in salaries agreed by the Company with several trade unions with respect to unionized employees as well as to non-unionized employees, together with related social security charges. The headcount amounted to 26,325 employees at the end of 1H18 (vs. 26,992 employees in PF1H17).

Interconnection and transmission costs

Interconnection and transmission costs (including charges for TLRD, Roaming, Interconnection costs, cost of international outbound calls and lease of circuits) amounted to $1,974 (+$148 or +8.1% vs. PF1H17), mainly due to higher TLRD costs.

Fees for services, maintenance, materials and supplies

Fees for services, maintenance, materials and supplies amounted to $6,239 million (+$1,077 or +20.9% vs. PF1H17). The increase is mainly due to increases in fees for services, mostly related to call centers and to higher professional fees driven mostly by a higher level of activity and new Company projects and services linked to operational management in general. There were also higher technical maintenance costs and higher hardware and software maintenance costs due to the increase in prices, fluctuation of the exchange rate $/U$S and the higher level of activity.

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority, including turnover tax, municipal taxes and other taxes, amounted to $5,235 (+$1,241 or +31.1% vs. PF1H17). This increase is mainly due to the increase in revenues.

Commissions and advertising

Commissions (including commissions paid to agents, prepaid card commissions and others) and advertising totaled $3,818, +$661 or +20.9% vs. PF1H17. The increase is mostly due to higher collections fees and higher advertising charges, offset by a decrease in CPP commissions and a reduction of total commissions paid to commercial channels.

Cost of equipment and handsets

Cost of equipment and handsets sold totaled $3,596, (+$645 or +21.9% vs. PF1H17). $3,437 of this amount correspond to cost of mobile handsets sold in Argentina, which grew 24.4% vs. PF1H17, mainly due to higher costs per unit due to the rise in participation of high-end devices.

Programming and content costs

Programming and content costs amounted to $4,529 (+$1,576 or +53.4% vs. PF1H17), mainly due to the incorporation of the cost of signals to broadcast live football matches of the first division of the Argentine Football Association.

Bad debt expenses

Bad debt expenses amounted to $1,273 (+$346 or +37.3% vs. PF1H17), representing approximately 2.0% and 1.9% of the consolidated revenues in 1H18 and in PF1H17, respectively. The increase is mainly due to the impact of $164 generated by the application of IFRS 9 since fiscal year 2018.

Depreciation, amortization and impairment of PP&E

Depreciation, amortization and impairment of PP&E amounted to $9,642 (+$1,714 or +21.6% vs. PF1H17). The higher charge is mostly due to higher amortization and depreciation of PP&E and intangibles of $1,717, including $638 of higher amortization corresponding to higher values allocated to the aforementioned assets as a result of the application of the acquisition method under IFRS 3.

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- **Operating income**

Operating income amounted to $13,654 in 1H18 (+$4,534 or +49.7% vs. PF1H17). The margin over consolidated revenues represented 21.3% in 1H18 (vs. 18.3% in PF1H17).

- **Financial results, net**

Net financial results resulted in a net loss of $20,847, representing a higher loss of $19,425 vs. PF1H17. The variation is mainly due to higher foreign currency exchange net losses amounting to $19,186 due to an 55.0% depreciation of the peso against the US$ during 1H18, and a 4.7% depreciation of the peso against the US$ in 1H17, and higher financial debt losses amounting to $116.

- **Net (loss) income**

Telecom Argentina recorded a net loss of $4,872 in 1H18, -$9,933 vs. an income of $5,061 in PF1H17, representing -7.6% of the consolidated revenues (vs. 10.2% in PF1H17). Net loss attributable to controlling shareholders amounted to $4,912 in 1H18 vs. an income of $5,028 inn PF1H17.

- **Net financial position**

As of June 30, 2018, net financial position (consisting of cash, cash equivalents plus financial investments and financial NDF minus loans) is debt and totaled $48,526. Consolidated net financial debt position as of December 31, 2017, calculated as the sum of consolidated net financial positions of both companies, would have amounted to $9,580 (debt).

- **Capital expenditures (CAPEX)**

CAPEX composition for 1H18 and PF1H17 is as follows:

	In millions of $		Variation 1H18 vs. 1H17	
	1H18	1H17 (*)	$	%
PP&E	13,185	9,473	3,712	39
Intangibles assets	1,052	1,090	(38)	(3)
Total	**14,237**	**10,563**	**3,674**	**35**

(*) Calculated as the sum of the consolidated CAPEX of both companies, adjusting them to similar criteria.

In relative terms, the investments reached 22.2% of consolidated revenues in 1H18 (vs. 21.3% in PF1H17) and they have been assigned, from the point of view of tangible assets mainly to the fixed network and transport equipment for the access to the mobile network and the handsets lent to our customers at no cost. Likewise, in the case of intangible assets, the investments were in the 700 MHz Band Licenses acquisition in Paraguay and the incremental costs for the acquisition of the contract. Lastly, during 1H18 important investments were made in materials to be used in infrastructure projects in both, the development process and those scheduled to begin construction in the short term.

The Company s main PP&E CAPEX projects are related to the expansion of cable TV services and internet services in order to improve the transmission and speed offered to customers; deployment of 3G and 4G services to support the growth of mobile Internet, improvement of the quality service together with the launch of innovative VAS services.

Also, the transmission and transport networks were expanded to unify the different access technologies, converting the fixed copper networks to fiber or hybrid fiber-coaxial networks, in this way, to meet the growing demand of services of our fixed telephony services and mobile customers. Likewise, significant investments have also been made in the pricing, billing and customer relationship systems.

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3. Telecom Group s activities for the three-month periods ended June 30, 2018 (2Q18) and 2017 (2Q17)

Consolidated Income Statements under IFRS

			Variation	
	2Q18	**2Q17**	**$**	**%**
Revenues	33,481	9,800	23,681	241.6
Operating costs without depreciation and amortization	(21,978)	(6,063)	(15,915)	262.5
Depreciation, amortization and impairment of PP&E	(4,975)	(892)	(4,083)	457.7
Operating income	**6,528**	**2,845**	**3,683**	**129.5**
Earnings from associates	48	38	10	26.3
Financial results, net	(18,541)	(883)	(17,658)	1,999.8
(Loss) Income before income tax expense	**(11,965)**	**2,000**	**(13,965)**	**n/a**
Income tax benefit (expense)	3,612	(720)	4,332	n/a
Net (loss) income	**(8,353)**	**1,280**	**(9,633)**	**n/a**
Attributable to:				
Controlling Company	(8,372)	1,265	(9,637)	n/a
Non-controlling interest	19	15	4	26.7
	(8,353)	**1,280**	**(9,633)**	**n/a**
Basic and diluted earnings per share attributable to the Controlling Company (in pesos)	**(3.89)**	**1.07**		

Revenues amounted to $33,481 in 2Q18, operating costs -including depreciation, amortization and impairment of PP&E- amounted to $26,953, operating income amounted to $6,528 equivalent to 19.5% of consolidated revenues- and net loss amounted to $8,353 equivalent to -24.9% of consolidated revenues-, as a consequence of the devaluation of the peso during 2Q18 (+43.4% or $8.7/USD) that generated a net foreign currency exchange loss of $18,082 in 2Q18 for net liabilities in foreign currency. Net loss attributable to the Controlling Company amounted to $8,372.

Consolidated revenues were mainly fueled by mobile services, Internet and Cable TV services. Services revenues amounted to $30,634 -equivalent to 91.5% of consolidated revenues-, and equipment revenues amounted to $2,847 -equivalent to 8.5% of consolidated revenues-.

Mobile services revenues amounted to $11,453 -equivalent to 34.2% of consolidated revenues- which were mainly generated by Personal s customers in Argentina.

Cable TV services amounted to $7,206 -equivalent to 21.5% of consolidated revenues- and they are mainly composed of services provided in Argentina and Uruguay.

Additionally, Internet services revenues amounted to $7,574 equivalent to 22.6% of consolidated revenues- and fixed and data services amounted to $4,327 equivalent to 12.9% of consolidated revenues-.

Operating costs without depreciation, amortization and impairment of PP&E amounted to $21,978 during 2Q18, the main components are employee benefit expenses and severance payments (which totaled $5,837); fees for services, maintenance, materials and supplies (which totaled $3,358); taxes and fees with the Regulatory Authority (which totaled $2,766); programming and content costs (which totaled $2,384); and commissions and advertising (which totaled $2,109).

Depreciation, amortization and impairment of PP&E totaled $4,975 during 2Q18 -equivalent to 14.9% of consolidated revenues-, including $1,621 of additional depreciation and amortization due to the allocation of the higher value to PP&E and Intangibles in the recording of the Merger through the reverse acquisition method (see Note 4.a) to the unaudited consolidated financial statements).

Operating income for 2Q18 amounted to $6,528, resulting in a margin over consolidated revenues of 19.5%.

Financial results, net amounted to a loss of $18,541 in 2Q18, mainly due to net foreign currency exchange rate losses totaling $18,082, interests on debts totaling $811, and taxes and bank expenses totaling $253, which were partially offset by interests and gains on investments totaling $310 and results on operations with notes and bonds totaling $463.

The income tax benefit in 2Q18 was $3,612 mainly due to the loss before taxes that generated a gain in deferred taxes related to the recognition of tax carryforward.

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Telecom Argentina obtained a net loss of $8,353 in 2Q18, which represents -24.9% of consolidated revenues. Net loss attributable to the controlling shareholders amounted to $8,372 in 2Q18, and the loss per share amounted to $3.89 pesos.

Unaudited Pro forma consolidated income statements

For purposes of facilitating the understanding and analysis of the evolution of the Company s results in 2Q18 compared to 2Q17 by readers of this Review and Prospects, the following table is included as additional information presenting the comparative figures of 2Q17 (PF2Q17) on a pro forma basis as if the merger between Telecom and Cablevisión would have occurred on January 1, 2017, according to the criteria and premises described in section 9. Such information (PF2Q17) arises from subtracting proforma figures for 6 months of 2017 (PF1H17) in section 9, the proforma figures of 1Q17 (PF1Q17) included in the Review and Prospects as of March 31, 2018. It is worth noting that the information included in PF1H17 does not correspond to figures elaborated under IFRS, and they are only provided for the specific proposes mentioned in this paragraph.

			Variation	
	2Q18	**PF2Q17**	**$**	**%**
Revenues	33,481	25,581	7,900	30.9
Operating costs without depreciation and amortization	(21,978)	(17,014)	(4,964)	29.2
Depreciation, amortization and impairment of PP&E	(4,975)	(3,942)	(1,033)	26.2
Operating income	**6,528**	**4,625**	**1,903**	**41.1**
Earnings from associates	48	38	10	26.3
Financial results, net	(18,541)	(1,404)	(17,137)	1,220.6
(Loss) Income before income tax benefit (expense)	**(11,965)**	**3,259**	**(15,224)**	**n/a**
Income tax benefit (expense)	3,612	(1,161)	4,773	n/a
Net (loss) income	**(8,353)**	**2,098**	**(10,451)**	**n/a**
Attributable to:				
Controlling Company	(8,372)	2,082	(10,454)	n/a
Non-controlling interest	19	16	3	18.8
	(8,353)	**2,098**	**(10,451)**	**n/a**

Total revenues increased 30.9% vs. PF2Q17 and operating income amounted to $6,528 (+$1,903 or +41.1% vs. PF2Q17). Financial results, net amounted to a loss of $18,541 (an increase of $17,137 vs. PF2Q17), while income tax benefit amounted to $3,612, vs. a loss of $1,161 in .PF2Q17.

During 2Q18 consolidated revenues increased 30.9% (+$7,900 vs. PF2Q17) amounting to $33,481, mainly fueled by increases in the prices of internet services, premium services of cable television and in mobile services.

Consolidated operating costs including depreciation, amortization and impairment of PP&E amounted to $26,953 in 2Q18, which represents an increase of $5,997 or +28.6% vs. PF2Q17. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile, cable television, and Internet businesses, higher direct and indirect labor costs on the cost structure in Argentina, the increase in fees for services related to higher supplier prices that has caused a growth in the cost structure; higher programming and content costs due to cost from the incorporation of broadcasting signals of football matches.

CAPEX amounted to $8,187 in 2Q18 and amounted to $6,097 in 2Q17 reformulated.

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4. *Summary of comparative consolidated statements of financial position*

			June 30,		
	2018	**2017**	**2016**	**2015**	**2014**
Current assets	29,620	5,199	7,475	4,977	2,693
Non-current assets	202,695	27,365	18,596	10,648	9,409
Total assets	**232,315**	**32,564**	**26,071**	**15,625**	**12,102**
Current liabilities	62,531	8,779	7,563	3,954	3,369
Non-current liabilities	47,605	10,526	9,140	4,232	3,340
Total liabilities	**110,136**	**19,305**	**16,703**	**8,186**	**6,709**
Equity attributable to the Controlling Company	119,869	12,820	9,065	7,183	5,157
Equity attributable non-controlling interest	2,310	439	303	256	236
Total Equity	**122,179**	**13,259**	**9,368**	**7,439**	**5,393**
Total liabilities and equity	**232,315**	**32,564**	**26,071**	**15,625**	**12,102**

5. *Summary of comparative consolidated income statements*

	2Q18	**2Q17**	**2Q16**	**2Q15**	**2Q14**	**1H18**	**1H17**	**1H16**	**1H15**	**1H14**
Revenues	33,481	9,800	7,175	4,673	3,403	64,179	19,233	14,243	9,232	6,391
Operating costs	(26,953)	(6,955)	(5,181)	(3,328)	(2,634)	(50,525)	(13,540)	(10,001)	(6,349)	(4,848)
Operating income	**6,528**	**2,845**	**1,994**	**1,345**	**769**	**13,654**	**5,693**	**4,242**	**2,883**	**1,543**
Earnings from associates	48	38	32	26	15	91	78	69	47	24
Earnings from acquisition of companies	-	-	-	-	-	-	-	114	-	-
Financial results, net	(18,541)	(883)	(699)	(278)	(295)	(20,847)	(894)	(1,352)	(590)	(1,108)
(Loss) income before income tax benefit (expense)	**(11,965)**	**2,000**	**1,327**	**1,093**	**489**	**(7,102)**	**4,877**	**3,073**	**2,340**	**459**
Income tax benefit (expense)	3,612	(720)	(440)	(339)	(163)	2,230	(1,705)	(984)	(747)	(148)
Net (loss) income	**(8,353)**	**1,280**	**887**	**754**	**326**	**(4,872)**	**3,172**	**2,089**	**1,593**	**311**
Other comprehensive income (loss), net of tax	1,608	90	15	(21)	92	2,174	(15)	57	(221)	255
Total comprehensive (loss) income	**(6,745)**	**1,370**	**902**	**733**	**418**	**(2,698)**	**3,157**	**2,146**	**1,372**	**566**
Attributable to Controlling Company	(7,165)	1,342	887	716	395	(3,271)	3,138	2,135	1,398	541
Attributable to non-controlling interest	420	28	15	17	23	573	19	11	(26)	25

6. *Summary of comparative consolidated statements of cash flow*

			June 30,		
	2018	**2017**	**2016**	**2015**	**2014**
Net cash flows provided by operating activities	16,481	5,900	3,731	2,915	2,290
Net cash flows used in investing activities	(10,072)	(5,665)	(3,462)	(1,669)	(1,570)
Net cash flows (used in) provided by financing activities	(5,563)	(1,177)	1,276	(145)	(470)
Net foreign exchange differences on cash and cash equivalents	1,698	4	398	89	13

Total cash and cash equivalents provided by (used in) during the period	**2,544**	**(938)**	**1,943**	**1,190**	**263**

7. Statistical data (in physical units in index-term)

	06.30.18	06.30.17	06.30.16	06.30.15	06.30.14
Cable TV suscribers (i)	99.8	100.5	100.8	100.5	100.8
Internet Access (i)	241.4	132.3	123.2	112.7	104.5
IDEN telephony services lines (ii)	29.1	62.0	86.4	-	-
Fixed telephony services lines (iii)	96.9	-	-	-	-
Personal Mobile telephony services lines (iii)	98.2	-	-	-	-
Núcleo s customers (iii)	97.2	-	-	-	-

(i) Base december 2013= 100

(ii) Base december 2015= 100

(iii) Base december 2017= 100 (the variation correspond to the incorporation of the effect of the merger with Telecom Argentina).

8. Consolidated ratios

	06.30.18	06.30.17	06.30.16	06.30.15	06.30.14
Liquidity (1)	0.47	0.59	0.99	1.26	0.80
Solvency (2)	1.11	0.69	0.56	0.91	0.80
Locked-up capital (3)	0.87	0.84	0.71	0.68	0.78

1) Current assets/Current liabilities.

2) Total equity/Total liabilities.

3) Non-current assets/Total assets.

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9. Unaudited Pro Forma consolidated income statement for the six-month period ended June 30, 2017

The following unaudited pro forma consolidated income statement is presented to illustrate the consolidated income statement for the six-month period ended June 30, 2017 included in the present Operating and Financial Review for comparative purposes. The unaudited pro forma consolidated income statement assumes that the Merger was consummated on January 1, 2017 (see Note 4 a. to the unaudited consolidated financial statements). The unaudited pro forma consolidated income statement for the six-month period ended June 30, 2017 are based upon, derived from, and should be read in conjunction with (i) the unaudited consolidated financial statements of Telecom as of and for the six-month period ended June 30, 2017 and 2016 (the Telecom 1H 2017 Financial Statements), and (ii) the unaudited consolidated financial statements of Cablevisión as of and for the six-month period ended June 30, 2017 and 2016 (the Cablevisión 1H 2017 Financial Statements).

The accompanying unaudited pro forma consolidated income statements give effect to adjustments that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) are expected to have a continuing impact on the consolidated results.

The Merger was accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3 Business Combinations (IFRS 3), with Cablevisión selected as the accounting acquirer under this guidance. Under IFRS 3, all assets acquired and liabilities assumed are generally recorded at their acquisition date fair value. For purposes of preparing the unaudited pro forma consolidated income statement, the fair value of Telecom s identifiable tangible and intangible assets acquired and liabilities assumed are based on an estimate of fair value. Management believes the estimated fair values utilized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions. Fair value estimates may change as additional information becomes available and such changes could be material.

The unaudited pro forma consolidated income statement has been prepared by management in accordance with the bases outlined herein and is not necessarily indicative of the consolidated financial results of operations that would have been realized had the Merger occurred as of the dates indicated, nor include any expected cost savings or operating synergies, which may be realized subsequent to the Merger or the impact of any non-recurring activity and one-time transaction-related or integration-related items. We provide the unaudited pro forma consolidated income statement for informational purposes only.

We prepared the following unaudited pro forma consolidated income statement by applying certain pro forma adjustments to Telecom and Cablevisión s historical consolidated income statements. We have based the pro forma adjustments on available information and certain assumptions that we believe are reasonable under the circumstances.

Unaudited Pro Forma Consolidated Income Statement

for the six-month period ended June 30, 2017

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

	Column I	Column II	Column III	Column IV	Column V		
	Telecom Argentina S.A.	Cablevisión S.A.	Reclassifications	Elimination of transactions	Pro Forma Adjustments	Ref.	Pro Forma Consolidated
Revenues	30,544	19,233	-	(62)	(10)	2.(a)	**49,705**
Other income	39	12	(51)	-	-		**-**
Employee benefit expenses and severance payments	(5,878)	-	(3,231)	-	-		**(9,109)**
Interconnection costs and other transmission charges	(1,532)	-	(356)	62	-		**(1,826)**
Fees for services, maintenance, materials and supplies	(2,959)	-	(2,130)	-	(73)	2.(b)	**(5,162)**
Taxes and fees with the Regulatory Authority	(2,870)	-	(1,129)	-	5	2.(c)	**(3,994)**
Commissions and Advertising	(2,282)	-	(875)	-	-		**(3,157)**
Cost of equipments and handsets	(2,769)	-	(155)	-	(27)	2.(d)	**(2,951)**
Programming costs and Cost of Contents	(466)	-	(2,487)	-	-		**(2,953)**
Bad debt expenses	(675)	-	(252)	-	-		**(927)**
Cost of sales	-	(8,655)	8,655	-	-		-
Commercialization costs	-	(2,741)	2,741	-	-		-
Administration costs	-	(2,156)	2,156	-	-		-
Other operating income and expenses	(1,808)	-	(770)	-	-		**(2,578)**
Depreciation, amortization and impairment of PP&E	(3,493)	-	(1,833)	-	(2,602)	2.(e)	**(7,928)**
Operating income	**5,851**	**5,693**	**283**	-	**(2,707)**		**9,120**
Equity in earnings from associates	-	**78**	-	-	-		**78**
Financial income, net	**(260)**	-	**260**	-	-		-
Financial costs	-	**(738)**	**(787)**	-	**18**		**(1,507)**
Other financial expenses, net	-	**(156)**	**244**	-	**(3)**		**85**
Income before income tax expense	**5,591**	**4,877**	-	-	**(2,692)**		**7,776**
Income tax expense	**(1,952)**	**(1,705)**	-	-	**942**	2.(f)	**(2,715)**
Net income for the period	**3,639**	**3,172**	-	-	**(1,750)**		**5,061**
Attributable to:							
Controlling Company	3,615	3,139	-	-	(1,726)		**5,028**
Non-controlling interest	24	33	-	-	(24)		**33**
	3,639	**3,172**	-	-	**(1,750)**		**5,061**
Weighted average number of ordinary shares outstanding	**969,159,605**	**120,000**					**2,153,688,011**
Earnings per share (Basic and Diluted)	**3.73**	**26,158.33**					**2.33**

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1. Accounting for the Merger

The unaudited pro forma consolidated financial information has been prepared using the acquisition method of accounting under the provisions of IFRS 3 and is based on the historical financial information of Telecom and Cablevisión. The purchase price allocation included herein has been described solely for the purpose of providing unaudited pro forma consolidated income statement. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of judgment in determining the appropriate assumptions and estimates. The estimates in the unaudited pro forma consolidated financial information could change as additional information becomes available and could have a material impact on the accompanying pro forma consolidated income statement.

The Merger will be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3, with Cablevisión selected as the accounting acquirer under this guidance. The factors that were considered in determining that Cablevisión should be treated as the accounting acquirer in the Merger were (i) the relative voting rights in the surviving entity (55% for the former shareholders of Cablevisión and 45% for the former shareholders of Telecom), (ii) the composition of the board of directors in the surviving entity and other committees (audit, supervisory and executive) (iii) the relative fair value assigned to Cablevisión and Telecom and (iv) the composition of senior management of the surviving entity.

2. Reclassifications, eliminations of transactions and pro forma adjustments to the unaudited pro forma consolidated statement for the six-month period ended June 30, 2017

Column I shows the historical consolidated financial data of Telecom for the six-month period ended June 30, 2017 derived from Telecom 1H 2017 Financial Statements.

Column II shows the historical consolidated financial data of Cablevisión for the six-month period ended June 30, 2017 derived from Cablevisión 1H 2017 Financial Statements.

Column III shows certain reclassifications made to the historical income statements in order to conform to presentation standards to be used after the Merger. Mainly, the Cost of sales and Commercialization and Administration costs have been reclassified to each operating expense by nature and the Taxes on deposits to and withdrawals from bank accounts have been reclassified from Taxes and fees with the Regulatory Authority to Other financial results, net.

Column IV provides for the elimination of certain reciprocal transactions between Telecom and Cablevisión for the six-month period ended June 30, 2017 mainly related to telecommunication interconnection.

Column V shows the pro forma adjustments, which comprise mainly the following:

(a) Lower revenues from the decrease in recognition of deferred revenues on connections fees as consequence of the purchase price allocation.

(b) Higher consumption of materials resulting from the increase in their value as a consequence of the purchase price allocation.

(c) Lower tax charges and regulatory fees derived from the elimination of billings between Telecom and Cablevisión following the Merger.

(d) Higher cost of sales of handsets resulting from the increase in value of inventories at the beginning of the year as a consequence of the purchase price allocation.

(e) Higher depreciation and impairment charges for the increase in value of Telecom s PP&E as a consequence of the purchase price allocation, and higher amortization charges for the increase in value of Telecom s intangible assets as a consequence of the purchase price allocation. Useful lives of Telecom s fixed assets are the same as those disclosed in the Telecom 1H 2017 Financial Statements. Useful lives of intangible assets recognized as a result of the purchase price allocation are mainly as follows: indefinite lives for trademarks and some licenses, other licenses between 12 and 15 years, and customer relationships between 5 and 10 years.

(f) The related income tax effects on the adjustments described in a) to e) above based on the enacted tax law in effect as of the end of the reporting period.

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The unaudited pro forma earnings per share data is computed by dividing the unaudited pro forma consolidated net income for the six-month period ended June 30, 2017 attributable to the controlling shareholder by the number of Telecom s outstanding shares after giving effect to the Merger, including 1,184,528,406 ordinary shares to be issued by Telecom for the Merger.

10. Outlook

In macroeconomic terms, in this first half of the year, growth showed a deceleration trend, mainly due to the extraordinary drought that continues to affect the central agricultural area and has an impact on economic activity nationwide, as well as a more contractive monetary and fiscal policy, which anticipates a drop in activity level for the third and fourth quarter of the year.

One of the most relevant factors in the economic context was the increase of inflation levels and the devaluation of the Argentine peso, which could stabilize towards the end of the year, with the definition of new economic measures aimed at seeking greater exchange rate parity stability, as well as the unfolding of salary agreements with pre-established goals.

Despite a less favorable economic context, during this period, Telecom Argentina continued to reflect high growth levels thanks to its good operating performance.

Telecom Argentina, as a comprehensive operator of ICT services, welcomes the government s intent to encourage technological convergence, with projects that foster competition and favor the deployment of networks to boost the dynamism of the sector. With a focus on the convergence of services and in line with the global trend in the sector, we understand that the regulatory framework should propose a comprehensive approach to communications, contemplating all the players capable of investing in modern and powerful networks to provide high level products and services in Argentina.

It should be noted that during June the merger between Telecom and Cablevisión received the approval of the Argentine Antitrust Commission, a body dependent on the Secretariat of Commerce, thus obtaining the final requirement that supports the operation of the new Telecom.

In a very short period, the Company strengthened the integration of the financial and operating structures of the merged companies that began in January, managing to reinforce the position of the new company in a competitive market, as well as to sustain high levels of investment to reconvert and upgrade their networks, ensuring the quality and the continuity of the services to meet the connectivity demands of our customers.

During this first stage, we are working to develop the best offerings in terms of speed, quality, innovation, value proposition and technological reliability. We are focusing on improving the capacity and coverage of our networks, which is key to the transformation towards convergent services with international quality standards. We also intend to strengthen our trademark assets which Telecom and Cablevisión have built over the last 20 years and have positioned them as leading companies in the telecommunications market.

As we predicted at the closing of our fiscal year, connectivity is no longer fixed or mobile, it is present in every aspect of daily life, and, in Telecom, we envision a future in which people, objects and our environment will be connected at high speed, on the go, from any place and from any device. We continue to prepare ourselves to lead this process of deep transformation of behaviors, social dynamics and organizations.

Alejandro Urricelqui
Chairman of the Board of Directors

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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Argentine pesos - Basis of presentation in Note 1.c)

	Note	June 30, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents	**5**	6,958	4,414
Investments	**5**	4,305	110
Trade receivables	**6**	12,365	1,753
Other receivables	**7**	3,613	828
Inventories	**8**	2,379	83
Total current assets		**29,620**	**7,188**
Non-Current Assets			
Trade receivables	**6**	117	-
Other receivables	**7**	1,077	237
Deferred income tax assets	**15**	58	44
Investments	**5**	3,931	250
Goodwill	**9**	63,903	4,109
Property, plant and equipment	**10**	91,585	22,080
Intangible assets	**11**	42,024	2,368
Total non-current assets		**202,695**	**29,088**
TOTAL ASSETS		**232,315**	**36,276**
LIABILITIES			
Current Liabilities			
Trade payables	**12**	18,943	3,886
Financial debt	**13**	35,622	937
Salaries and social security payables	**14**	3,932	1,751
Taxes payables	**16**	2,276	1,858
Dividends payables	**27**	-	4,078
Other liabilities	**17**	1,303	103
Provisions	**18**	455	-
Total current liabilities		**62,531**	**12,613**
Non-Current Liabilities			
Trade payables	**12**	160	-
Financial debt	**13**	28,469	9,907
Salaries and social security payables	**14**	145	-
Deferred income tax liabilities	**15**	14,880	266
Taxes payables	**16**	2	3
Other liabilities	**17**	858	134
Provisions	**18**	3,091	1,092
Total non-current liabilities		**47,605**	**11,402**
TOTAL LIABILITIES		**110,136**	**24,015**
EQUITY			
Equity attributable to Controlling Company		**119,869**	**11,694**
Equity attributable to non-controlling interest		**2,310**	**567**
TOTAL EQUITY	**20**	**122,179**	**12,261**

(See Unaudited Consolidated Statements of Changes in Equity)

TOTAL LIABILITIES AND EQUITY	**232,315**	**36,276**

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

Alejandro Urricelqui
Chairman of the Board of Directors

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UNAUDITED CONSOLIDATED INCOME STATEMENTS

(In millions of Argentine pesos, except per share data in Argentine pesos - Basis of presentation in Note 1.c)

	Note	Three-month periods ended June 30, 2018	2017	Six-month periods ended June 30, 2018	2017
Revenues	**22**	**33,481**	**9,800**	**64,179**	**19,233**
Employee benefit expenses and severance payments	**23**	(5,837)	(1,680)	(11,054)	(3,231)
Interconnection and transmission costs		(1,043)	(184)	(1,974)	(356)
Fees for services, maintenance, materials and supplies	**23**	(3,358)	(1,125)	(6,239)	(2,145)
Taxes, and fees with the Regulatory Authority	**23**	(2,766)	(721)	(5,235)	(1,412)
Commissions and advertising		(2,109)	(426)	(3,818)	(875)
Cost of equipment and handsets	**23**	(2,071)	(99)	(3,596)	(155)
Programming and content costs		(2,384)	(1,280)	(4,529)	(2,487)
Bad debt expenses	**6**	(660)	(118)	(1,273)	(252)
Other operating income and expenses	**23**	(1,750)	(430)	(3,165)	(794)
Depreciation, amortization and impairment of PP&E	**23**	(4,975)	(892)	(9,642)	(1,833)
Operating income		**6,528**	**2,845**	**13,654**	**5,693**
Earnings from associates	**5**	48	38	91	78
Debt financial expenses	**24**	(18,870)	(891)	(21,400)	(738)
Other financial results, net	**24**	329	8	553	(156)
(Loss) Income before income tax expense		**(11,965)**	**2,000**	**(7,102)**	**4,877**
Income tax benefit (expense)	**15**	3,612	(720)	2,230	(1,705)
Net (loss) income for the period		**(8,353)**	**1,280**	**(4,872)**	**3,172**
Attributable to:					
Controlling Company		(8,372)	1,265	(4,912)	3,139
Non-controlling interest		19	15	40	33
		(8,353)	**1,280**	**(4,872)**	**3,172**
(Loss) Earnings per share attributable to Controlling Company - Basic and diluted	**25**	**(3.89)**	**1.07**	**(2.28)**	**2.65**

See Note 23 for additional information on operating expenses per function.

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

Alejandro Urricelqui
Chairman of the Board of Directors

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UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Argentine pesos - Basis of presentation in Note 1.c)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2018	2017	2018	2017
Net (loss) income for the period	**(8,353)**	**1,280**	**(4,872)**	**3,172**
Other components of the Statements of Comprehensive Income (loss)				
Will be reclassified subsequently to profit or loss				
Currency translation adjustments (no effect on Income Tax)	1,547	90	2,039	(15)
NDF effects classified as hedges	86	-	188	-
Income Tax effects on NDF classified as hedges	(25)	-	(53)	-
Other components of the comprehensive income (loss), net of tax	**1,608**	**90**	**2,174**	**(15)**
Total comprehensive (loss) income for the period	**(6,745)**	**1,370**	**(2,698)**	**3,157**
Attributable to:				
Controlling Company	(7,165)	1,342	(3,271)	3,138
Non-controlling interest	420	28	573	19
	(6,745)	**1,370**	**(2,698)**	**3,157**

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

Alejandro Urricelqui
Chairman of the Board of Directors

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Argentine pesos - Basis of presentation in Note 1.c)

	Owners contribution						Reserves							
	Outstanding shares		Treasury shares											
	Capital nominal value (1)	Inflation adjust-ment	Capital nominal value (1) (2)	Inflation adjust-ment (2)	Treasury shares acquisition cost (2)	Contri-buted Surplus	Legal reserve	Special reserve for IFRS implemen-tation	Voluntary reserve for capital invest-ments (2)	Facultative (3)	Voluntary reserve for future dividends payments	Other compre-hensive results	Other deferred	Reta earni
Balances as of January 1, 2017	**1,200**	**-**	**-**	**-**	**-**	**-**	**40**	**43**	**-**	**4,503**	**151**	**1,306**	**(6)**	**4**
Legal and facultative reserve (4)	-	-	-	-	-	-	200	-	-	2,245	-	-	-	(2.
Dividends (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.
Dividends to Non-controlling interest of CV Berazategui	-	-	-	-	-	-	-	-	-	-	-	-	-	
Comprehensive income:														
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	3
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	(1)	-	
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**3**
Balances as of June 30, 2017	**1,200**	**-**	**-**	**-**	**-**	**-**	**240**	**43**	**-**	**6,748**	**151**	**1,305**	**(6)**	**3**
Balances as of January 1, 2018	**1,200**	**-**	**-**	**-**	**-**	**-**	**240**	**43**	**-**	**2,748**	**73**	**1,581**	**(6)**	**5**
Equity incorporation of the accounting acquiree (Note 4.a)	969	2,646	15	42	(461)	-	734	351	461	-	9,730	972	(3)	7
Retained earnings adjustment (Note 3.u and 3.v)	-	-	-	-	-	-	-	-	-	-	-	-		
Business combination effect (Note 4.a)	(15)	-	-	-	-	109,469	-	-	-	-	-	(972)	3	
Call option reserve (5)	-	-	-	-	-	-	-	-	-	-	-	-	(91)	
Dividends (6)	-	-	-	-	-	-	-	-	-	-	(9,730)	-	-	(10.

Dividends to Non-controlling interest (7)	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in CV Berazategui shareholding (Note 3.d.6)	-	-	-	-	-	-	-	-	-	-	-	-	(176)
Facultative Reserve (8)	-	-	-	-	-	-	-	-	-	1,312			