

ARG TELCOS- Equity Research

Telecom Argentina S.A.				
USDMM	Revenue	EBITDA	Net Income	EPS (USD)
2016	3.555	962	267	0,28
2017 (F)	3.985	1.179	447	0,46
2018 (F)*	6.428	1.966	748	0,35

*Post Merger

Grupo Clarin S.A. (adjusted for 60% holding in Cablevision, excludes minority interest)				
USDMM	Revenue	EBITDA	Net Income	EPS (USD)
2016	1.981	472	179	0,62
2017 (F)	2.179	515	222	0,77

	Telecom	GCLA
Shares Outstanding	969.159.605	287.418.584
Floating	18,98%	11,00%
Market Cap. (USDMM)	5.679	4.498
Net Debt (USDMM)	392	-7
EV (USDMM)	6.071	4.491

USD	Target Price	Market Price
Telecom ADR	33,16	29,30
GCLA GDR	37,21	31,30

Price Range		
USD	52 Weeks Min.	52 Weeks Max.
Telecom ADR	17,4	29,46
GCLA GDR	19,25	31,55

Executive Summary

Recommendation buy TEO buy GCLA: We consider that Telecom ADR and Grupo Clarin GDRs are 13% and 19% underpriced compared to our target price of USD33,2 and USD37,2 respectively. In our base case, we expect the definitive merger agreement of Telecom and Cablevision to occur in 2018 after regulatory approvals. However antitrust issues, especially in fixed internet services where both companies account for 51% of total market share, may challenge the outcome. The merger is expected to contribute to stronger EBITDA margins and lower capex requirements as a result of compatible networks.

Telecom Cablevision Merger: Telecom and Cablevision have announced last week a preliminary merger agreement where Telecom will absorb Cablevision. In this way the merged company will be the first player in the local market to provide quadruple play services. The merger generates commercial synergies for both companies. Telecom will be able to add up cable TV to its product mix, while Cablevision will not require to sink costs to increase penetration in mobile services. In 2016 Cablevision and Telecom together, had a market share of 40% in fixed voice, 36% in mobile services, 51% in fixed internet and 38% in Cable TV. We project that the merged company could increase market share in mobile services up to 50% by providing quadruple play services at competitive prices given economies of scale.

Dilutive transaction: The transaction is dilutive for Telecom's shareholders as proforma EPS (given new share issuance of 1,185bn) is lower than Telecom's standalone ratio. The exchange ratios are based on independent professional valuations of both companies where implicit growth rate of Cablevision exceeds that of Telecom. In this sense, expectation of Nextel's expansion in the mobile segment is a key consideration in the standalone valuation, and probably a concern for Telecom's minority investors.

Main segment trends- Strong growth perspective in Internet, Intense competition in Mobile: Fixed internet and Mobile services are the most dynamic segments in the industry. On one hand, fixed internet penetration continues expanding at strong rates despite economic stagnation. We forecast penetration to increase from current level of 16 connections per 100 habitants to 84 by 2026. On the other hand, industry competition in Mobile is expected to intensify driven by a more flexible regulatory framework.

Strong Credit Metrics and room for leverage: Telecom and Cablevision exhibit strong credit metrics, and low leverage ratios. Under a context of increasing competition in the mobile segment, strong growth prospects in fixed internet and expansion plans in mobile services, capex is expected to remain at higher levels compared to international peers while companies may lever up to improve technology.

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Telecom- Cablevision Merger
Transaction Description >> DCF Valuation Model>> Multiples Valuation
Transaction Description

Telecom and Cablevision have announced last week a preliminary merger agreement where Telecom will absorb Cablevision. We expect the definitive merger agreement to occur in 2018 after regulatory approvals, however antitrust issues, especially in fixed internet services where both companies account for 51% of total market share, may challenge the outcome.

The purchasing company will expand its equity and issue 1.184.528.406 ordinary shares to Cablevision's current shareholders. The exchange ratio is 9.871,07005 shares of Telecom per Share of Cablevision. As a result, current Telecom's shareholder will hold 45% of outstanding shares after the completion of the statutory merger, while Fintech Media and Cablevision Holding (Cablevision's current shareholders) will maintain 55%. The exhibit below presents Telecom equity structure after the statutory merger (and after the Nortel, Telecom and Personal business reorganization- see *Telecom Ownership*). If the merger is approved, Fintech (Telecom and Media) direct and indirect holding will rise to 41,23%.

Telecom Equity Structure after the statutory Merger (and after Nortel, Telecom and Personal Business reorganization)	
Sofora Telecomunicaciones S.A.	15,83%
Fintech Telecom LLC	100,00%
Fintech Media LLC	22,00%
Fintech Telecom LLC	0,74%
Nortel Class B holders (Excl. Fintech)	8,45%
FGS ANSES	11,42%
Floating ADS*	6,65%
Floating BCBA	1,90%
Class C Shares	0,01%
Cablevision Holding S.A.	33,00%
Controlling Shareholders E. de Noble, H. Magnetto, J. Aranda, L. Pagliaro	71,00%
GS Unidos LLC	9,00%
ANSES	9,00%
Floating	11,00%

Company reports. Holding excludes Telecom's own shares.
*Includes 2,66% additional holding of Fintech

The merger will allow Telecom to provide cable TV services while current regulation (see regulation) sets that Telcos may provide quadruple play services (fixed voice, fixed internet mobile services and cable TV) by January 1st 2018. The merger generates commercial synergies for both companies. Telecom will be able to add up cable TV to its product mix, while Cablevision will not require to sink costs to increase penetration in mobile services. Although, in terms of 4G spectrum, Cablevision standalone (via its subsidy Nextel) had the potential to reach a 20-25% share in mobile services, the company's limitation arises from the marketing and commercial efforts to gain new subscribers. Thus, the merger will improve commercial efficiency.

In 2016 Cablevision and Telecom together, had a market share of 40% in fixed voice, 36% in mobile services, 51% in fixed internet and 38% in Cable TV. We project that the companies may increase its market share in mobile services up to 50% when considering total adjudicated spectrum and the company's financial ability to deploy high levels of CAPEX. Additionally, we forecast that among the main operating synergies includes a reduction of 2% is capex/ revenue ratio as a consequence of compatible networks between the two companies, and an increase of 2% in EBITDA margin from cost reduction.

DCF Valuation Model

Under a Discounted Free Cash Flow to the Firm approach and considering the Telecom-Cablevision merger, **we estimate an Enterprise Value (EV) of USD15.008MM for the merged company.** Refer to Annex I for details on the projection model. The main cost synergies we incorporate to the merger transaction involves: i) EBITDA margins after 2019 to reach 32%, higher than that of global peers, 29,6% (see annex I) and ii) Long run Capex/ Revenue ratio to reach 11%, lower than that of global peers, estimated at 13%.

Assuming Jan2018 as the effective date of the merger and the announced exchange ratios, we estimate a price of USD33,2 for Telecom's ADRs (+13% price upside) and of USD37,2 for GCLA's GDRs (+19% price upside). The charts below summarize the valuation outputs.

Telecom Valuation	
EV DCF (USD MM)	6.821
Net Debt USD MM- Mar17	392
Equity Value- USDMM	6.428
Shares Outstanding	969.159.605
Target Price ADR USD	33,2
Current Price ADR USD	28,7
Upside	16%

Grupo Clarin Valuation	
Equity Value GCSA (Ex. Cablevision)- USDMM	361
Equity Value Cablevision- 60% holding- USDMM	4.987
Total Equity Value- USDMM	5.348
Shares Outstanding	287.418.584
Target Price GDR USD	37,2
Current Price GDR USD	31,3
Upside	19%

Telecom EV- DCF approach		
USDMM	FCFF	Discounted FCFF
2017	133	122
2018	100	84
2019	359	275
2020	404	283
2021	434	278
2022	855	501
2023	891	477
2024	937	459
2025	1.366	612
2026	1.421	582
Terminal Value	27.682	11.337
WACC		9,3%
Perpetuity Growth Rate		4,0%
A) EV- DCF		15.008
B) Cablevision's holding of Telecom*		8.187
C) Adjusted EV (A-B)		6.821

*Considering 55% Cablevision holding in Telecom after the merger.

WACC- Telecom/ Cablevision	
Argentina LT Rate	6,2%
Equity risk premium	5,5%
Beta	0,90
Equity cost	11,2%
Debt cost pre tax	6,0%
<u>Capital Structure</u>	
Financial Debt	25%
Equity	75%
WACC	9,3%

Grupo Clarin (Ex Cablevision) Constant Growth approach	
NOPAT 2016- USDMM	28,64
Growth rate	3,00%
WACC	11,3%
EV (Gordon Model)- USDMM	353,85
Net Debt Mar17- USDMM	(7,25)
Equity Value (Ex Cablevision)- USDMM	361

Cablevision EV- DCF approach		
USDMM	FCFF*	Discounted FCFF
2017	2	2
2018	55	46
2019	197	151
2020	222	155
2021	239	153
2022	471	275
2023	490	262
2024	515	252
2025	751	336
2026	781	320
Terminal Value	15.225	6.235
WACC	9,3%	
Perpetual Growth Rate	4,0%	
EV		8.190
Net Debt USD MM- Mar17		(121)
Equity Value USDMM		8.311

*55% of Telecom's FCFF after 2018.

Equity Valuation- Multiples Approach

Exhibit below presents EV/ EBITDA multiples for top 7 Telcos. When considering 2016 EBITDA, we calculate an average multiple of 6,48x and of 6,29x when assuming 2017 Market's EBITDA forecast. Under a multiples approach, where 2017 multiple is given a weight of 75% and 2016 a 25%, **we estimate an EV of USD11.875MM for the merged company and ADR price of USD26,66 for Telecom considering the exchange multiple.**

Valuation Multiples: EV/ EBITDA- Top 7 Telcos						EV and ADR Price Target- Multiples approach				
USDMM	EV	EBITDA		EV/ EBITDA2016 (x)	EV/ EBITDA2017 (x)	USDMM	EBITDA		Estimated EV	Target Price- ADR
		2016	2017 (F)				2016	2017 (F)		
America Movil- AMX	90.520	13.742	14.512	6,59	6,24	Telecom	962	1.179		
AT&T	357.832	50.194	52.473	7,13	6,82	Cablevision	699	767		
Nippon Telegraph & Telephone Corp	151.497	28.445	28.026	5,33	5,41	Combined	1.660	1.946	11.875	26,66
Verizon	303.045	42.987	44.786	7,05	6,77					
Deutsche Telekom	150.540	24.952	24.225	6,03	6,21					
Telefonica	112.154	16.734	18.257	6,70	6,14					
Vodafone	106.908	16.328	16.539	6,55	6,46					
Average				6,48	6,29					

Industry Analysis

Market Size and Competition >> Local Regulation >> 4G Spectrum

Market Size and competition

In 2016, we estimate that total size of the telecommunications local market has reached USD13,2Bn, fixed voice accounted for 8%, mobile services for 54%, Fixed Internet 14%, and Cable TV 25%. Although we expect the total market to expand in the upcoming years, each segment may experience different trends, and therefore the growth perspectives of Cablevision and Telecom will depend on the markets they operate in.

Fixed voice services have presented null growth in the last 5 years, connections have just increased from 9,64MM to 9,94MM in this period, while ARPU has descended from USD17,38 in 2013 to USD8,29 in 2016. Retail tariffs have remained frozen during 2002-2015, however under the telecommunication law (Ley Argentina Digital) enacted in Dec15, companies were allowed to update tariffs. Price updates allowed Telecom to rise its market share from 31% in 2015 to 40% in 2016, although its subscribers have fallen persistently in the last two years.

Fixed Voice Services- Total Market							
	2010	2011	2012	2013	2014	2015	2016
Total active Connections (MM)	9,52	9,64	9,33	9,55	9,55	9,94	9,94
Connections annual Growth	1%	1%	-3%	2%	0%	4%	0%
<i>Telecom participation</i>	42%	42%	43%	42%	42%	40%	39%

Companies Reports, ENACOM, Global Equity estimates.

Mobile services have exhibited rapid growth until 2013. In this sense total connections climbed from 43MM in 2008 to 61MM in 2013, postpaid connections, from 6MM to 8MM, while total revenue expanded from USD7Bn, to USD11Bn. After 2013, in a context of economic stagnation, high inflation, devaluation, and increasing competition among players, connections have descended and total revenue in USD returned back to 2008 level. Telecom's market share has remained at 33% in 2016 (despite it has faced a reduction in total connections) while Nextel's felt from 4% to 3%. Although the ratio of subscribers per 100 habitants (penetration rate) in the local market has exceeded that of developed countries in 2016, Argentina's total revenue per habitant is significantly smaller, for example this ratio reached USD179 for Argentina Vs. USD734 for United States.

Mobile Connections									
'000	2008	2009	2010	2011	2012	2013	2014	2015	2016
Prepaid	36.778	43.105	46.563	48.118	50.587	52.490	52.490	54.250	56.080
Postpaid	6.010	5.477	5.705	6.440	7.227	8.070	8.070	7.590	7.640
Total Market	42.788	48.582	52.268	54.558	57.814	60.560	60.560	61.840	63.720
Connections annual Growth		14%	8%	4%	6%	5%	0%	2%	3%
<i>Telecom participation</i>	29%	30%	31%	33%	33%	33%	32%	32%	30%
<i>Nextel participation (Estimated)*</i>									2%

Companies Reports, ENACOM, Global Equity estimates. Nextel participation as of 2016 in Postpaid connection=9,2%, Telecom Participation as of 2016 in Postpaid connections=28%

Revenue- Mobile segment									
USDMM	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Revenue*- Local Market	7.470	7.352	8.377	9.690	10.108	10.896	8.931	9.282	7.178
<i>Markets Share Telecom</i>	28%	28%	29%	31%	32%	32%	32%	33%	33%
<i>Market Share Nextel</i>								4%	3%

Companies reports, Enacom, Global Equity estimates. *Includes sale of equipment.

Penetration rates: Subscribers per 100 Habitants- Mobile services									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Argentina	108	121	129	133	140	139	139	142	146
Avg. Developed countries	108	112	113	113	116	118	123	126	127

Enacom, ITU key indicators

Despite adverse economic conditions, strong growth in **Fixed Internet** continued in 2015 and 2016. Connections expanded by 5% and 7% in these years respectively, and total revenue growth in ARS terms has exceeded inflation. This trend is expected to continue as Internet penetration is much lower than that of advanced economies (see chart below). Cablevision has capitalized this growth trend better than Telecom, and has expanded its market share from 20% in 2013 to 29% in 2016, while Telecom has faced both, a strong decline in market share (from 27% in 2013 to 22% in 2016) and in connections participation (from 34% in 2011 to 24% in 2016).

Fixed Internet Connections									
'000	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Market	3.129	3.524	4.032	4.576	5.226	6.151	6.399	6.717	7.199
Connections annual Growth		13%	14%	13%	14%	18%	4%	5%	7%
<i>Telecom participation</i>	33%	34%	34%	34%	31%	28%	27%	27%	24%
<i>Cablevision Participation</i>	29%	28%	28%	29%	29%	28%	29%	30%	30%

Companies Reports, ENACOM, Global Equity estimates.

Revenue Internet segment				
USDMM	2013	2014	2015	2016
Total Revenue- Local Market	1.713	1.597	2.172	1.791
<i>Markets Share Telecom</i>	27%	25%	23%	22%
<i>Market Share Cablevision</i>	20%	21%	24%	29%

Companies Reports, ENACOM, Global Equity estimates.

Internet Penetration rate, Households with Internet			
%	2014	2015	2016
Argentina	44%	46%	48%
Avg. Developed countries	79%	81%	84%

ITU, ENACOM

Total revenue in **Cable TV** segment decreased from USD3.9Bn in 2015 to USD 3,2Bn in 2016, and returned back to 2014 level. Total connections in Cable TV have grown at 2% per annum in the last two years, nevertheless, this was not the case for Cablevision. The company focused mainly in AMBA region, where Cable TV has a strong penetration ratio, and therefore we expect Cablevision to experience sluggish growth. In general terms, Argentina presents penetration rates close to that of United States.

Cable TV: Connections and Revenue				Cable TV Penetration rate, (Households with Cable TV access/ Households							
'000	2014	2015	2016	%	2010	2011	2012	2013	2014	2015	2016
Connections (000)	8.900	9.040	9.230	USA	87%	87%	87%	86%	84%	83%	82%
Connections annual Growth		2%	2%	Argentina	79%	78%	81%	83%	87%	83%	81%
<i>Cablevision Participation</i>	40%	39%	38%	LAMAC							
Total Revenue- Local Market	3.239	3.943	3.298								
<i>Market Share Cablevision</i>	41%	40%	38%								

Company Reports, ENACOM, Global Equity estimates.

Local Regulation

Law 27.078 (Ley Argentina Digital), enacted in 2014, acts as the main framework in terms of regulation, and under the new administration important changes are taking place. It is worth mentioning that Decree 267/15 creates a body to draft a new Telecommunication and Media Law, which may additionally implement new changes. According to some announcements, the reform project is expected to be finalized during 4Q17. Recent regulation focuses on achieving higher competition among players, and increasing both, service quality and access to new technologies. Additionally, resolution 1299/17 formally set conditions for the entrance of Nextel into 4G services (see 4G Spectrum).

Main Telecommunications Regulation- Argentina

Telecommunication Law (Ley 27.078 "Ley Argentina Digital")

Enacted in Dec14, the law establishes the main framework of telecommunications, set obligations and rights of users and licensees, and declares telecommunication service as of public interest. The law's objective is to promote access to all habitants, and promote network neutrality.

Establishes that Prices and Tariffs should be fair and reasonable, and permit companies to cover cost and obtain a reasonable profitability.

Originally, the law allowed tariff regulation under certain circumstances, however this was derogated by Decree 267/15.

Decree 267/15- Modifies law 27.078

Creates the ENACOM as regulator body of law 27.078 and law 26.522 (Media law).

Incorporates Cable TV under the telecommunication law.

Creates a commission to draft a reform of Law 27.078 and Law 26.522.

Operators of fixed voice and Mobile services are allowed to provide Cable TV as of Jan2018 (ENACOM may extend this term for 1 year).

Decree 798/16

Sets conditions to enhance competition and telecommunication service quality. Includes changes to radio electric spectrum and establishes conditions for a rapid deployment of mobile networks.

Decree 1340/16- Dec16

Implements conditions to develop networks convergence and increase penetration of internet access.

Sets a term of 6 months to announce a public auction of Spectrum.

Resolution 171 E2017

Sets Refarming regulation, and determines a maximum radio electric spectrum of 140Mhz per operator.

4G Spectrum

In 2014 the first auction of 4G spectrum took place, and Telecom was awarded 50Mhz in the 1700s, 2100s and 700s MHz frequency, for USD602MM. Decree 1340/16 determines further auctions to take place during the upcoming years.

Nextel has acquired in 2016 several companies that owned radio electric spectrum, and in 2017, under resolution 1033, 1034 and 1299, 40Mhz were declared admissible to provide 4G services. Nextel's total spectrum cost is estimated at USD316MM (USD138MM related to the purchases of the companies, and USD178MM, related to refarming cost), relatively below the USD428MM paid by Telefonica Móviles Argentina in 2014.

2014 4G frequency Spectrum Auction

Lot (MHz)	Bandwidth	Action Price (USDMM)	Awarded Company
8	50	602,00	Telecom Personal S.A.
9	50	590,00	AMX Argentina S.A.
10	40	428,00	Telefonica Móviles Argentina S.A.

ENACOM

Annex I: Projection model- Telecom- Cablevision Merger

General Assumptions (see Industry analysis)

- Internet Services: We forecast that Internet penetration will converge to 84% (developed countries current average) in 10 years, from 48% in 2016.
- Cable TV: Although mobile and fixed voice operators will be allowed to provide Cable TV services in 2018/ 2019, we do not expect relevant changes in current market configuration as current industry penetration is considered high, and growth potential is limited. Additionally, we expect Internet service to put downward pressure to the segment's growth rate, which reduce attractiveness for new entrants. In this sense, we forecast that the number of connections will increase according to population rise.
- Mobile Services: We observe that total market's revenue depends mainly on GDP, and project real growth of the segment to be aligned to GDP expansion rate.
- Fixed Voice services: We forecast that subscribers will continue declining as internet and mobile services cannibalize the segment. In 2017 we expect a 3% downfall, similar to 2016, and 2% from 2018 to 2026.
- ARPU: With the exception of Mobile Services, we assume that ARPU increases in line with inflation.

Specific Assumptions Telecom Argentina S.A. (Merger Scenario)

- EBITDA Margin: The exhibit below presents EBITDA margin since 2005 for the 7 largest Telcos. Last 4 years' average EBITDA is calculated at 30%. We estimate 2% higher margin as a result of cost synergies from the merger, and forecast an EBITDA margin of 32%, similar to 2016 revenue weighted value of 31,7%.

EBITDA Margin- Top 7 Telecommunications Companies (excludes Chinese operators)												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
America Movil- AMXL	30,2%	36,8%	40,4%	39,7%	40,8%	40,0%	37,4%	34,2%	32,5%	32,0%	29,9%	26,3%
AT&T	31,6%	32,0%	35,3%	34,6%	33,1%	31,3%	21,8%	24,4%	38,0%	23,0%	31,9%	30,6%
Nippon Telegraph & Telephone Corp	31,0%	30,7%	29,9%	32,5%	31,3%	30,8%	30,9%	29,9%	29,3%	28,4%	26,3%	27,1%
Verizon	37,5%	32,7%	33,3%	32,3%	30,2%	29,1%	26,5%	25,6%	40,3%	28,4%	37,3%	34,1%
Deutsche Telekom	37,0%	26,7%	26,3%	29,2%	30,8%	27,7%	34,1%	30,9%	26,3%	28,4%	26,6%	30,8%
Telefonica	40,3%	36,2%	40,4%	39,6%	39,8%	42,4%	32,2%	34,0%	33,4%	31,7%	24,1%	29,1%
Vodafone	44,8%	44,0%	40,1%	37,0%	21,0%	28,4%	18,4%	30,4%	10,3%	8,8%	27,5%	26,4%
Mean	36,1%	34,2%	35,1%	35,0%	32,4%	32,8%	28,7%	29,9%	33,3%	28,7%	29,1%	29,2%
Median	37,0%	32,7%	35,3%	34,6%	31,3%	30,8%	30,9%	30,4%	32,5%	28,4%	27,5%	29,1%

Companles Reports

- Capex/ Revenue Ratio: Capex/ Revenue ratio exhibited by companies operating in developed markets is estimated at 13%. Under the merger scenario, this can fall to 11% given compatible networks. However, during the next years, we estimate Telecom to maintain this ratio at 20% in line with 2016.

EBITDA Margin- Top 7 Telecommunications Companies (excludes Chinese operators)												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
America Movil- AMXL	25,7%	18,5%	17,2%	16,5%	13,8%	12,8%	18,1%	15,7%	15,1%	14,9%	14,3%	14,5%
AT&T	12,7%	13,2%	14,9%	15,9%	13,5%	15,7%	15,9%	15,3%	16,3%	16,0%	13,1%	13,7%
Nippon Telegraph & Telephone Corp	14,9%	15,8%	14,9%	11,8%	13,6%	13,5%	13,7%	13,3%	14,4%	13,6%	13,0%	11,0%
Verizon	21,5%	19,4%	18,8%	17,7%	15,7%	15,4%	14,7%	14,0%	13,8%	13,5%	13,5%	13,5%
Vodafone	16,0%	15,3%	11,7%	10,9%	12,7%	10,9%	9,5%	10,3%	10,4%	11,5%	15,6%	16,7%
Deutsche Telekom	12,4%	11,7%	10,7%	11,2%	11,8%	11,0%	11,2%	9,7%	10,9%	11,5%	11,8%	11,0%
Telefonica	11,7%	13,1%	12,9%	13,6%	13,4%	14,7%	14,5%	15,2%	17,0%	19,1%	18,7%	17,7%
Mean	16,4%	15,3%	14,4%	13,9%	13,5%	13,4%	13,9%	13,3%	13,5%	13,5%	14,3%	14,0%
Median	14,9%	15,3%	14,9%	13,6%	13,5%	13,5%	14,5%	14,0%	14,4%	13,6%	13,5%	13,7%

- Internet Market Share: As of 2016, Cablevision and Telecom together presented a 51% market share in this segment. Given commercial synergies as a result of the merger, Telecom's market share can reach 55% by 2020.
- Mobile service Market Share: Although Nextel and Telecom present a combined market share of 36% in this segment, given their assigned radio electric spectrum, it may increase to 50%. Given the companies low leverage levels, we do not observe that financing shall be a limitation of expansion.

Telecom- Cablevision Merger Projection Model

Macroeconomic Variables	2018	2019	2020	2021	2022	2023	2024	2025	2026
Exchange rate ARS/ USD FYE	20,21	22,23	24,01	25,45	26,47	27,40	28,36	29,35	30,38
Exchange rate ARS/ USD Average	18,86	21,22	23,12	24,73	25,96	26,93	27,88	28,85	29,86
Inflation	17%	12%	10%	8%	6%	5%	5%	5%	5%
GDP Growth	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Population Growth	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Revenue- ARSMM	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fixed Services: Voice- Users (MM)	3,658	3,585	3,513	3,443	3,374	3,306	3,240	3,176	3,112
Growth Rate Voice Users	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%	-2,0%
Fixed Services: Retail Voice- ARPU (\$)	185,78	208,08	228,88	247,19	262,03	275,13	288,88	303,33	318,49
Growth Rate Voice ARPU	17,0%	12,0%	10,0%	8,0%	6,0%	5,0%	5,0%	5,0%	5,0%
Fixed Services: Voice- Total Revenue	8.155	8.951	9.649	10.212	10.609	10.916	11.233	11.559	11.894
Real Growth Rate Business Segment and Other	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Price Variation Business Segment and Other	16,0%	12,6%	9,0%	7,0%	5,0%	3,7%	3,5%	3,5%	3,5%
Fixed Services: Business Segment and Other- Total Revenue	4.217	4.888	5.486	6.044	6.534	6.982	7.444	7.935	8.459
Total Households	15.355.258	15.585.587	15.819.371	16.056.662	16.297.512	16.541.974	16.790.104	17.041.955	17.297.585
Internet Penetration rate	54%	57%	60%	64%	67%	71%	75%	79%	84%
Market Participation Telecom	55%	55%	55%	55%	55%	55%	55%	55%	55%
Fixed Services: Intenet- Telecom Users (MM)	4,557	4,888	5,244	5,625	6,034	6,473	6,944	7,450	7,991
Growth Rate Internet Access		7,3%	7,3%	7,3%	7,3%	7,3%	7,3%	7,3%	7,3%
Fixed Services: Intenet- ARPU (\$)	413,09	462,66	508,92	549,64	582,61	611,74	642,33	674,45	708,17
Growth Rate Internet ARPU	17,0%	12,0%	10,0%	8,0%	6,0%	5,0%	5,0%	5,0%	5,0%
Fixed Services: Intenet- Revenue	22.587	27.138	32.023	37.101	42.188	47.520	53.527	60.292	67.912
Cable TV- Users (MM)	3,634	3,688	3,743	3,800	3,857	3,914	3,973	4,033	4,093
Growth Rate Cable TV Users	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Cable TV- ARPU (\$)	626,95	702,18	772,40	834,19	884,25	928,46	974,88	1.023,62	1.074,81
Growth Rate Cable TV ARPU	17,0%	12,0%	10,0%	8,0%	6,0%	5,0%	5,0%	5,0%	5,0%
Cable TV- Total Revenue	27.337	31.077	34.697	38.035	40.922	43.613	46.480	49.536	52.793
Total Revenue Fixed Services	62.295	72.053	81.855	91.392	100.253	109.032	118.683	129.322	141.058
Real Growth Rate Mobile services	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Price Variation Mobile Services	17,0%	12,0%	10,0%	8,0%	6,0%	5,0%	5,0%	5,0%	5,0%
Total Revenue Mobile Market	158.308	182.624	206.913	230.170	251.299	271.780	293.930	317.885	343.793
Market Share Telecom	35%	40%	45%	50%	50%	50%	50%	50%	50%
Mobile Services Revenue- Local Market	55.408	73.049	93.111	115.085	125.650	135.890	146.965	158.943	171.897
Mobile Services Revenue- Nucleo	3.503	3.982	4.446	4.874	5.244	5.588	5.956	6.347	6.765
Total Revenue Mobile Services	58.911	77.031	97.557	119.958	130.893	141.478	152.921	165.290	178.661
Total Revenue Telecom	121.206	149.085	179.412	211.351	231.146	250.510	271.604	294.612	319.720
Revenue Growth	87%	23%	20%	18%	9%	8%	8%	8%	9%
EBITDA Margin	30,59%	32,00%	32,00%	32,00%	32,00%	32,00%	32,00%	32,00%	32,00%
EBITDA ARSMM	37.080	47.707	57.412	67.632	73.967	80.163	86.913	94.276	102.310
Projection Summary- USDMM	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	6.428	7.025	7.759	8.545	8.903	9.301	9.743	10.211	10.706
EBITDA	1.966	2.248	2.483	2.735	2.849	2.976	3.118	3.267	3.426
CAPEX/ Revenue	20,0%	20,0%	20,0%	20,0%	15,0%	15,0%	15,0%	11,0%	11,0%
CAPEX	1.286	1.405	1.552	1.709	1.335	1.395	1.461	1.123	1.178
FCFF	100	359	404	434	855	891	937	1.366	1.421

Main Financial Metrics: Telecom Argentina post Merger- Base Case Scenario									
ARSMM	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Income Statement									
Revenue	121.206	149.085	179.412	211.351	231.146	250.510	271.604	294.612	319.720
Revenues growth	18,14%	23,00%	20,34%	17,80%	9,37%	8,38%	8,42%	8,47%	8,52%
EBITDA	37.080	47.707	57.412	67.632	73.967	80.163	86.913	94.276	102.310
Operating Income	27.875	36.029	42.829	49.727	54.050	58.127	62.633	69.020	75.865
Interest expense	1.815	2.343	2.788	3.212	3.481	3.611	3.738	3.869	4.004
Income before tax	21.707	29.968	36.467	43.396	48.294	52.445	56.752	62.933	69.565
Net Income	14.110	19.479	23.703	28.208	31.391	34.089	36.889	40.907	45.217
Cash Flow									
Funds from Operations (FFO)	27.642	36.270	43.377	50.828	53.583	58.196	63.312	68.381	73.958
Change in Working Capital	-2.689	-360	34	90	1.036	1.044	1.125	924	1.034
Cash Flow from Operations (CFO)	24.953	35.910	43.411	50.918	54.619	59.240	64.437	69.304	74.992
CAPEX	24.241	29.817	35.882	42.270	34.672	37.577	40.741	32.407	35.169
Dividend payments	7.046	9.728	11.837	11.586	14.676	22.863	25.822	28.635	31.652
Free Cash Flow	-6.334	-3.634	-4.308	-2.938	5.271	-3.269	-4.269	6.045	5.876
Cash Flow From Investing activities	-1.389	-6.120	-7.906	-8.124	-14.676	-22.863	-25.822	-28.635	-31.652
Change in Debt	5.657	3.608	3.931	3.463	0	0	0	0	0
Equity issuance	0	0	0	0	0	0	0	0	0
Cash Flow from Financing activities	-1.389	-6.120	-7.906	-8.124	-14.676	-22.863	-25.822	-28.635	-31.652
Leverage									
Cash and Equivalent	2.707	2.680	2.303	2.827	8.099	4.830	561	6.605	12.481
Total Debt	35.466	42.792	50.298	56.879	59.154	59.154	59.154	59.154	59.154
Debt/ EBITDA	0,96	0,90	0,88	0,84	0,80	0,74	0,68	0,63	0,58
Net Debt/ EBITDA	0,88	0,84	0,84	0,80	0,69	0,68	0,67	0,56	0,46
Debt/ FFO	1,20	1,11	1,09	1,05	1,04	0,96	0,88	0,82	0,76
Net Debt/ FFO	1,11	1,04	1,04	1,00	0,89	0,88	0,87	0,73	0,60
USD MM									
	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Income Statement									
Revenue	6.428	7.025	7.759	8.545	8.903	9.301	9.743	10.211	10.706
Revenues growth	1,81%	9,28%	10,45%	10,14%	4,19%	4,46%	4,75%	4,80%	4,85%
EBITDA	1.966	2.248	2.483	2.735	2.849	2.976	3.118	3.267	3.426
Operating Income	1.478	1.698	1.852	2.011	2.082	2.158	2.247	2.392	2.540
Interest expense	96	110	121	130	134	134	134	134	134
Income before tax	1.151	1.412	1.577	1.755	1.860	1.947	2.036	2.181	2.329
Net Income	748	918	1.025	1.140	1.209	1.266	1.323	1.418	1.514
Cash Flow									
Funds from Operations (FFO)	1.466	1.709	1.876	2.055	2.064	2.161	2.271	2.370	2.477
Change in Working Capital	-143	-17	1	4	40	39	40	32	35
Cash Flow from Operations (CFO)	1.323	1.692	1.877	2.059	2.104	2.199	2.311	2.402	2.511
CAPEX	1.286	1.405	1.552	1.709	1.335	1.395	1.461	1.123	1.178
Dividend payments	374	458	512	468	565	849	926	992	1.060
Free Cash Flow	-336	-171	-186	-119	203	-121	-153	209	197
Cash Flow From Investing activities	-74	-288	-342	-328	-565	-849	-926	-992	-1.060
Change in Debt	300	170	170	140	0	0	0	0	0
Equity issuance	0	0	0	0	0	0	0	0	0
Cash Flow from Financing activities	-74	-288	-342	-328	-565	-849	-926	-992	-1.060
Leverage									
Cash and Equivalent	134	121	96	111	306	176	20	225	411
Total Debt	1.755	1.925	2.095	2.235	2.235	2.159	2.086	2.016	1.947
Debt/ EBITDA	0,96	0,90	0,88	0,84	0,80	0,74	0,68	0,63	0,58
Net Debt/ EBITDA	0,88	0,84	0,84	0,80	0,69	0,68	0,67	0,56	0,46
Debt/ FFO	1,20	1,11	1,09	1,05	1,04	0,96	0,88	0,82	0,76
Net Debt/ FFO	1,11	1,04	1,04	1,00	0,89	0,88	0,87	0,73	0,60

Annex II: Company analysis- TELECOM ARGENTINA S.A.
Company Description

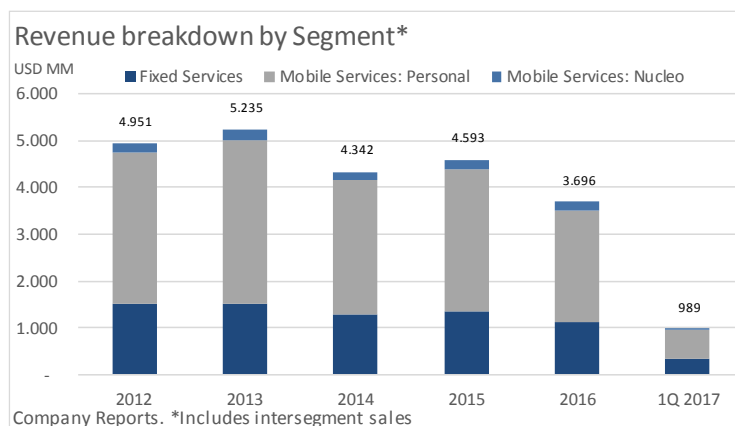
Telecom Argentina S.A. (TEO) is one of the main players in the Argentinean telecommunications industry and has operations in Paraguay via its subsidiary Nucleo. Telecom Personal (Personal) operates mobile services in Argentina (accounted for 69% of total consolidated income in 2016), and, with the exception of Nucleo, TEO owns almost 100% of its subsidiaries (see exhibit below). The company provides fixed voice, fixed internet and mobile services in Argentina, and its market share is estimated at 41%, 22% and 33% respectively.

TEO- Main Subsidiaries				
Company	Direct and Indirect		Net Income 2016 ARSMM*	% TEO Consolidated Income**
	Holding	Business Segment		
Telecom Argentina USA	100%	Fixed Services	15	0,4%
Micro Sistemas	100%	Fixed Services	-	0,0%
Personal	100%	Mobile Services	2.765	69,0%
Nucleo	68%	Mobile Services- Nucleo (Paraguay)	92	2,3%

Company reports. * Company standalone, excludes subsidiaries. **Subsidiary standalone Net income/TEO Consolidated Net Income.

TEO's strategy is referred as "Convergent solution" and focus on providing integral digital connection to its customers. The company seeks to maximize revenue through synergies between the different segments, aligning commercial efforts and bundling services in order to increase sales levels per consumer. The recent announcement of merging Personal activities (and Nortel) into Telecom can be perceived as a first step towards developing this strategy, while the preliminary merger agreement with Cablevision, will allow it to provide Cable TV services, and complete its product mix.

TEO operates three main segments: i) Fixed Services, which includes fixed voice, data and internet services- 33% of total revenue and 24% of EBITDA in 2016 ii) Mobile services in Argentina- 63% of total revenue and 71% of EBITDA, and iii) Mobile services in Paraguay (Nucleo)- 4% of both, revenue and EBITDA.


Ownership

Fintech Telecom LLC (Fintech) became the controlling shareholder of Telecom with an estimated direct and indirect holding of 37% after acquiring Telecom Italia's participation. Telecom's current ownership structure is as follows: Nortel Inversora holds 55,6% of the company's equity (controlled by Sofora Telecomunicaciones S.A.), ANSES (National Government) 25,38%, while floating is estimated at 18,99%. In May17 the company has filed a merger prospectus, under which, Nortel and Personal will merge under Telecom (see

exhibit below). In addition, the merger with Cablevision will have considerably impact over the company's equity structure (See *Telecom- Cablevision Merger*).

Telecom Equity Structure- After and Before the restructuring process		
Current Structure		
Nortel Inversora S.A.	55,60%	
Sofora Telecomunicaciones S.A.	78,38%	
Fintech Telecom LLC (Fintech)	68,00%	
W de Argentina- Inversiones S.A.	32,00%	
Preferred Shares- Class B	21,62%	
FGS ANSES	25,38%	
Floating ADS*	14,77%	
Floating BCBA	4,22%	
Class C Shares	0,03%	
<small>Company reports. Holding excludes Telecom's own shares. *Includes 5,9% additional holding of Fintech</small>		
After Telecom, Personal and Nortel merger		
Sofora Telecomunicaciones S.A.	35,18%	
Fintech Telecom LLC (Fintech)	100,00%	
Fintech Telecom LLC (Fintech)*	1,63%	
Nortel Class B holders (Excl. Fintech)	18,78%	
FGS ANSES	25,38%	
Floating ADS**	14,77%	
Floating BCBA	4,22%	
Class C Shares	0,03%	
<small>Company reports. Holding excludes Telecom's own shares. *Formerly Nortel Class B **Includes 5,9% additional holding of Fintech</small>		
Telecom Equity Structure after Cablevision Merger		
Sofora Telecomunicaciones S.A.	15,83%	
Fintech Telecom LLC	100,00%	
Fintech Media LLC	22,00%	
Fintech Telecom LLC	0,74%	
Nortel Class B holders (Excl. Fintech)	8,45%	
FGS ANSES	11,42%	
Floating ADS*	6,65%	
Floating BCBA	1,90%	
Class C Shares	0,01%	
Cablevision Holding S.A.	33,00%	
Controlling Shareholders E. de Noble, H. Magnetto, J. Aranda, L. Pagliaro	71,00%	
GS Unidos LLC	9,00%	
ANSES	9,00%	
Floating	11,00%	
<small>Company reports. Holding excludes Telecom's own shares. *Includes 2,66% additional holding of Fintech</small>		

Fintech acquired in 2013 Telecom Italia's participation in Telecom, estimated at 32,9% by USD960MM, and approval by regulatory bodies occurred in 2016. Exhibit below highlights the main features of the acquisition.

Fintech Direct and Indirect Acquisition of Telecom	
Acquisition Price- USDMM	960
Acquired indirect and direct Participation in Telecom	32,9%
(68% Sofora Telecomunicaciones S.A., 1,58% in Telecom Argentina and 8% Preferred shares of Nortel Inversora S.A.)	
Implied Price per ADR (USD)	15,03
Implied EV- TEO*- USDMM	3.306
<small>*Includes net Debt as of Dec'16 Company reports, Global Equity estimates</small>	

Revenue Analysis

In order to carry out an analysis of Telecom's revenue structure, which, additionally will be the base line of our DCF model, we focus on three main services that present different dynamics and trends; Fixed Voice, Fixed Internet and Mobile (Personal). Exhibits below summarize the evolution of revenue and subscribers of these services since 2010, and highlights Average Revenue per User (ARPU) per service since 2014.

Fixed voice subscriptions present a downward trend as a result of a cannibalization process by mobile service. In terms of total revenue, growth has remained significantly below inflation as a result of frozen tariffs in retail segment, while in 2016 tariff updates were approved by the regulator. After the recent regulatory update (see regulation), we expect that ARPU will behave in line with inflation.

Fixed internet has experienced high growth rates until 2013, and although the local market continued expanding at strong rates, Telecom's subscribers have remained flat, similar to 2013 levels. Industry competition is considered low which explains the company's ability to update prices in line with inflation (in 2016 prices lagged inflation, however, this was compensated by higher price actualization in 2015). We expect that industry rivalry will continue at current levels, and project strong growth from an increase in internet penetration (see sector analysis).

Revenues in Mobile services (includes revenue from sale of equipment), has remained closed to 2010 value in USD terms, and in the last three years, variation in ARS terms, has been significantly below inflation, especially in the prepaid services. Growth in active subscribers has been negative since 2013, while postpaid subscriptions have remained closed to 2014 level. Penetration of mobile service in the local market is higher compared to peers, and therefore expect that growth in this segment will be mainly linked to economic growth.

Main Services- Revenue and Subscribers								
(000)	2010	2011	2012	2013	2014	2015	2016	1Q2017
Fixed Services- Voice								
Revenue (ARSMM)	2.898	3.104	3.214	3.442	3.782	4.339	6.010	2.081
<i>Revenue Variation</i>		7%	4%	7%	10%	15%	39%	
Revenue (USDMM)	741	752	681	627	465	469	401	134
Active Subscribers (000)	4.019	4.057	4.045	4.044	4.016	3.969	3.848	3.893
<i>Subscribers Variation</i>		1%	0%	0%	-1%	-1%	-3%	
Fixed Services- Internet								
Revenue (ARSMM)	391	774	1.248	2.521	3.254	4.556	5.994	1.595
<i>Revenue Variation</i>		98%	61%	102%	29%	40%	32%	
Revenue (USDMM)	100	187	264	459	400	492	400	102
Active Subscribers (000)	1.380	1.550	1.629	1.707	1.749	1.791	1.726	1.733
<i>Subscribers Variation</i>		14%	12%	5%	5%	2%	2%	-4%
Mobile Services- Argentina								
Revenue (ARSMM)	9.569	12.558	15.354	19.269	23.353	28.203	35.766	9.643
<i>Revenue Variation</i>		31%	22%	25%	21%	21%	27%	
Revenue (USDMM)	2.445	3.041	3.252	3.511	2.872	3.046	2.384	619
Active Subscribers (000)	16.333	18.193	18.975	20.088	19.585	19.656	19.514	19.253
<i>Subscribers Variation</i>		13%	11%	4%	6%	-3%	0%	-1%
Mobile Services- Post Paid	1.805	2.178	2.386	2.417	2.155	2.135	2.160	2.145
<i>Subscribers Variation</i>		13%	21%	10%	1%	-11%	-1%	1%

Values in red accounts for annual price change significantly below CPI. CPI2013= 25%, CPI2014= 38%, CPI2015=27%, CPI2016=40% (CPI Ciudad de Buenos Aires except for 2016, INDEC).

Company Reports

Main Service- ARPU evolution						
	2014	2015	15 vs. 14*	2016	16 vs. 15*	1Q 2017
Fixed Services- Voice						
Active Connections (000)	4.016	3.969		3.848		3.893
Average Monthly Revenue per Conn. (ARPU) (ARS)*	78,48	91,10	16%	130,15	43%	148,39
Average Monthly Revenue per Conn. (ARPU) (USD)	9,65	9,84	2%	8,68	-12%	9,52
Fixed Services- Internet						
Active Connections (000)	1.749	1.791		1.726		1.733
Average Monthly Revenue per Conn. (ARPU) (ARS)*	155,04	211,99	37%	289,40	37%	306,79
Average Monthly Revenue per Conn. (ARPU) (USD)	19,07	22,89	20%	19,29	-16%	19,69
Mobile Services**- Argentina Postpaid Services						
Active Subscriptions (000)	2.155	2.135		2.160		2.145
Average Monthly Revenue per Subsc.(ARPU) (ARS)*	366,09	503,24	37%	662,58	32%	815,85
Average Monthly Revenue per Subs.(ARPU) (USD)	45,03	54,35	21%	44,17	-19%	52,37
Mobile Services**- Argentina Prepaid Services						
Active lines (prepaid and Cuentas claras) (000)	17.255	17.404		17.255		17.016
Average Monthly Revenue per Line (ARPU) (ARS)*	33,15	35,82	8%	42,49	19%	42,49
Average Monthly Revenue per Line (ARPU) (USD)	4,08	3,87	-5%	2,83	-27%	2,73

Company Reports, Global Equity estimates

*Values in red accounts for annual ARPU variation below CPI. CPI2015=26,7%, CPI2016=40,4%

**Excludes revenue from sale of equipment

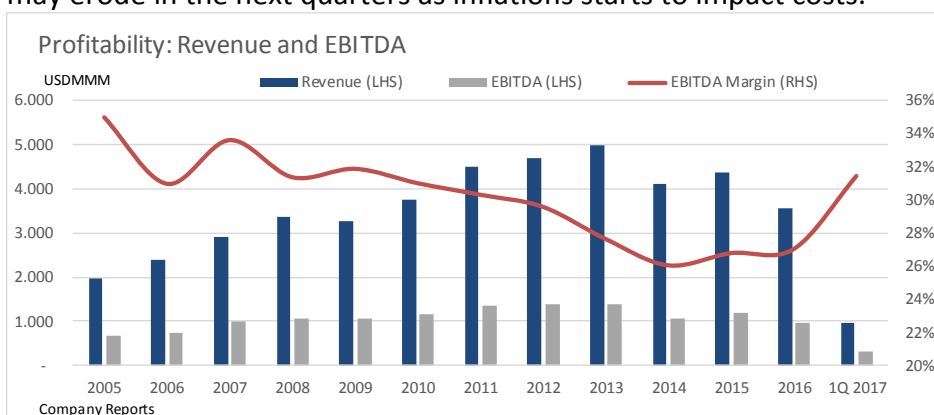
Financial Analysis

Profitability >> Cash Flow >> Leverage

Profitability

Telecom's revenue has reached USD3.555MM in 2016, below the USD3.751MM achieved in 2010. The decline is explained by adverse economic conditions during the period which mainly impacted ARPU. As a consequence, EBITDA margin has deteriorated, decreasing to

27% in 2016 from 31% in 2010. Margin for 1Q2017 has rebounded to 31%, nevertheless, it may erode in the next quarters as inflations starts to impact costs.



Since 2014 Telecom has maintained EBITDA margin as a result of the company's ability to cut operating costs in real terms. Salaries, maintenance costs and interconnection charges are among the items that have lagged inflation the most. Similarly, the company has reduced considerably marketing expenses in an adverse context.

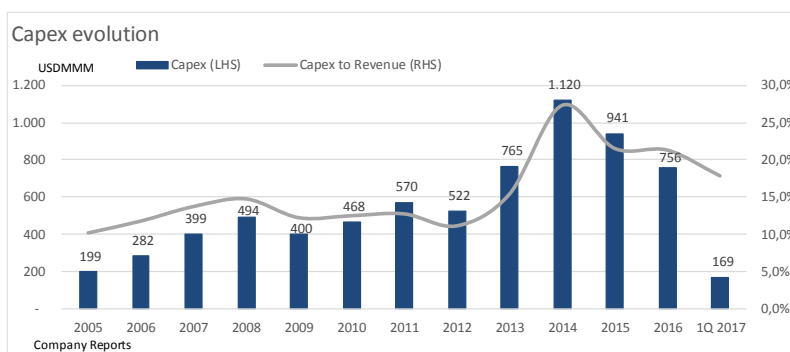
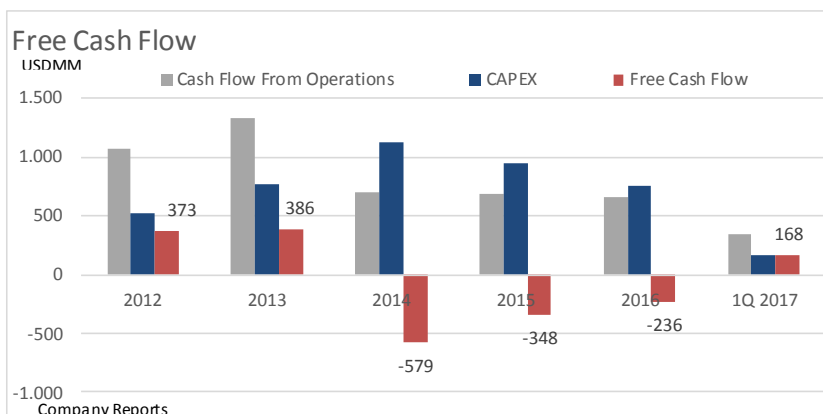
Telecom Cost Structure					
ARS MM	2012	2013	2014	2015	2016
<i>Annual Average Inflation*</i>		25%	38%	27%	40%
Voice and Data Services + Other Income	20.168	24.075	28.325	34.524	45.437
Sale of Equipment	2.028	3.275	5.063	6.016	7.886
Revenue and Other income	22.196	27.350	33.388	40.540	53.323
<i>Annual Variation Revenue and other income</i>		23,2%	22,1%	21,4%	31,5%
Salaries	5.218	6.355	8.085	10.446	13.649
<i>Annual variation Salaries</i>		21,8%	27,2%	29,2%	30,7%
Cost of Equipment sold	2.043	3.111	4.143	4.595	6.188
<i>Annual variation Cost of Equipment sold</i>		52,3%	33,2%	10,9%	34,7%
Taxes	2.018	2.689	3.297	3.943	5.125
<i>Annual variation Taxes</i>		33,3%	22,6%	19,6%	30,0%
Maintenance costs	2.109	2.641	3.333	3.919	5.006
<i>Annual variation Maintenance costs</i>		25,2%	26,2%	17,6%	27,7%
Interconnection Charges/ SVA	2.033	2.537	3.010	3.426	4.052
<i>Annual variation Interconnection charges</i>		24,8%	18,6%	13,8%	18,3%
Doubtful accounts	275	283	424	564	1.228
Marketing expenses	660	656	792	814	874
<i>Annual variation Marketing Expenses</i>		-0,6%	20,7%	2,8%	7,4%
Other	1.270	1.514	1.602	1.967	2.777
Total Operating Costs Ex. D&A	15.626	19.786	24.686	29.674	38.899
<i>Annual Variation Total operating Costs</i>		26,6%	24,8%	20,2%	31,1%

Company reports. *2013-2015 Based on Ciudad de Buenos Aires IPC, 2016 bases on INDEC IPC.

Cash flow

Telecom has historically exhibited positive cash flow (after payment of dividends) and negative figures in 2014 and 2015 is explained by non-recurring payment of 3G and 4G spectrum license. In 2016 the company increased dividend payments compared to 2015, from USD92MM to USD133MM.

Cash flow from operations has remained relatively stable since 2014, while Capex is the main variable that affects Telecom's free cash flow generation. In 2016 Capex/ Revenue ratio recorded 21,3%, and we forecast it at 20% in the next years. In the long term, we expect this ratio to plunge to 13% in line with that of companies in mature and developed markets, and similar to 2005-2012 average value of 12,4%.



Leverage

As of Mar17, debt is mainly comprised by an IFC loan in USD, with floating rate of Libor+4% and maturity after 2020, and local bonds. Liquidity levels are high as cash and equivalent covers all current debt, while leverage is considerably low and we forecast a debt/ EBITDA ratio below 1x for the next 5-10 years. Low debt and high liquidity permits the company to respond quickly to investment opportunities as occurred in 2014/2015 when it acquired licenses for USD658MM.

Financial Debt- Mar17

USDMM	Amount	Rate	2017	2018	2019	2020	2021+
Overdrafts and Bank loans	30		9	-	-	20	-
IFC loan	396	Libor+4%	-	-	-	99	297
Accrued Interest/ Other	5		3	2	-	-	-
Bonds and Notes	172	Pesos: Badlar+ 2,9% USD: 4,85%	35	134	-	-	-
Total financial Debt	601		48	136	-	119	297

Company Reports

Net Leverage

USDMM	2012	2013	2014	2015	2016	1Q2017
Net Debt	(726)	(783)	(52)	196	392	217
EBITDA	1.392	1.378	1.070	1.173	962	298
Debt/ EBITDA	(0,52)	(0,57)	(0,05)	0,17	0,41	0,18

Company Reports

Total Debt- USDMM 602

Debt By currency- As of Mar17

Pesos	20%
Foreign Currency	80%

Debt By Maturity- As of Mar17

Current Debt	8%
Non Current	92%

Debt By Instrument- As of Mar17

Bank Loans	71%
Bonds	29%

Company Reports

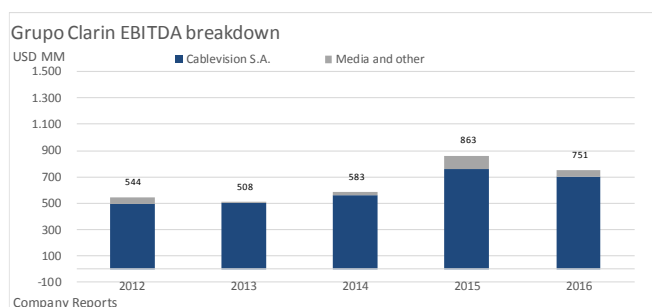
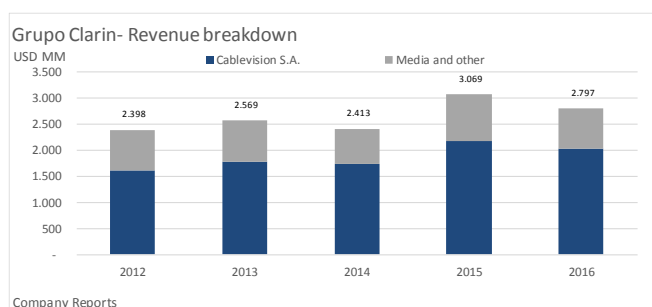
Annex III: Company analysis- GRUPO CLARIN S.A.

Company Description

Grupo Clarin S.A. (GCLA) is the largest media company in Argentina, and operates four main business segments: Cable TV, fixed internet and telecommunication services via its 60% stake in Cablevision S.A. (Cablevision), printing and publication, production and distribution of Media and digital contents. Cablevision S.A. is considered the largest Cable TV operator in Latam, and also provides Internet services mainly in Argentina. Company's market share in 2016 has reached 38% and 29% respectively in each market. Printing and publication segment includes revenue from different newspapers and magazines, while production and distribution of contents consist of TV channels and radio stations.

Cablevision acquired Nextel Communications Argentina SRL (Nextel) in 2015, and in 2016, several other firms that owned radio-electric spectrum (see Industrial analysis) in order to step in the telecommunications industry. Nextel obtained in 2016 a market share of 3% in mobile services, nevertheless, in the last quarters, the company's post paid subscribers plummet by 9%.

Cablevision explains 73% and 93% of GCLA's consolidated revenue and EBITDA, Given Cablevision's relative importance and the impact on valuation of the recent merger with Telecom, **we will focus the rest of the analysis mainly on this company.** Grupo Clarin holds 60% of Cablevision, and Fintech Media 40%.



GCLA Main Subsidiaries

Company	Direct and Indirect		Net Income 2016	
	Holding	Business Segment	ARSMM	%*
Cablevision S.A.	60%	Internet, Cable TV and Telecommunication	4.045	96,8%
ARTEAR	99%	Media	564	13,5%
Other			(430)	-10,3%

Company reports. **Subsidiary consolidated Net income/ GCLA Net Income (consolidated).

Ownership

The Noble family holds 71% of GCLA's capital, ANSES (national government) holds 9%, while 11% floats. In 2016 the company started a process to spin off its holding in Cablevision and, a new vehicle, Cablevision Holding, was created. Its assets include GCLA's participation in

Cablevision and 100% stake in GCSA Equity LLC, which only holds an intercompany debt of USD20MM. One share of GCLA will be exchanged to 0,3715 shares of GCLA and 0.6285 of Cablevision Holding. May 1st 2017 was established as the effective date of the spin off, however shares will be exchanged once regulators approve the transaction. Cablevision Holding is expected to trade in Buenos Aires stock exchange, and probably another international bourse.

Equity Capital GCLA- Mar17

Controlling Shareholders	
E. de Noble, H. Magnetto, J. Aranda, L. Pagliaro	71,00%
GS Unidos LLC	9,00%
ANSES	9,00%
Floating	11,00%

Company Reports

Revenue Analysis (Cablevision)

Cablevision's operates three main business, Cable TV, fixed internet, and telecommunications services via Nextel. Exhibit below summarize revenue evolution, connections and ARPU. In 2016, Cable TV accounted for 61% of total revenue, Internet 25%, telecommunication 11%, and income from advertisements and other explains 3%.

Cable TV penetration in Argentina is much higher than its regional peers, which explains the segment's mature phase. In contrast, internet continues experiencing high growth rates, and Cablevision's connections increased 10% in 2015 and 8% in 2016. This segment presents high barriers of entry, therefore, ARPU and revenue expanded at strong rates, above inflation levels.

Telecommunication services present a downward trend in both, connections and revenue growth. We estimate that during 1Q17, connections decreased by more than 4%, and ARPU declined from an average of ARS204 in 2016 to ARS166 in 1Q17, in a context where inflation reached 40%.

Main Services- Revenue, Subscribers and ARPU

	2012	2013	2014	2015	15 vs. 14	2016	16 vs. 15	2017 1Q
Cable TV								
Revenue (ARSMM)	5.705	7.398	10.776	14.430		18.750		5.674
Revenue Variation		30%	46%	34%		30%		
Revenue (USDMM)	1.208	1.348	1.325	1.558		1.250		364
Active Connections (000)	3.404	3.493	3.491	3.532		3.527		3.510
Connections Variation		3%	0%	1%		0%		
Average Monthly Revenue per Connection (ARPU) (\$)	140	177	257	340	32%	443	30%	539
Average Monthly Revenue per Connection (ARPU) (USD)	30	32	32	37	16%	30	-20%	35
Internet								
Revenue (ARSMM)	1.595	1.910	2.756	4.818		7.697		2.738
Revenue Variation		20%	44%	75%		60%		
Revenue (USDMM)	338	348	339	520		513		176
Active Connections (000)	1.504	1.711	1.837	2.026		2.183		2.223
Connections Variation		14%	7%	10%		8%		
Average Monthly Revenue per Connection (ARPU) (\$)	88	93	125	198	59%	294	48%	411
Average Monthly Revenue per Connection (ARPU) (USD)	19	17	15	21	39%	20	-8%	26
Telecommunications								
Revenue (ARSMM)				3.498		3.266		633
Revenue Variation						-7%		
Revenue (USDMM)				378		218		41
Active Connections (000)						1.331		1.274
Average Monthly Revenue per Connection (ARPU) (\$)						204		166
Average Monthly Revenue per Connection (ARPU) (USD)						14		11

Company Reports

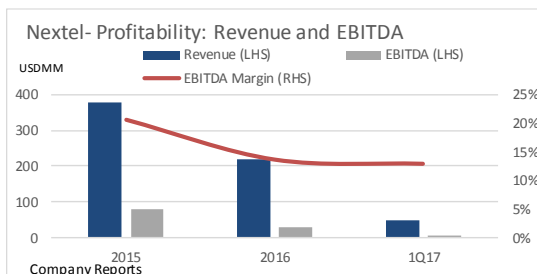
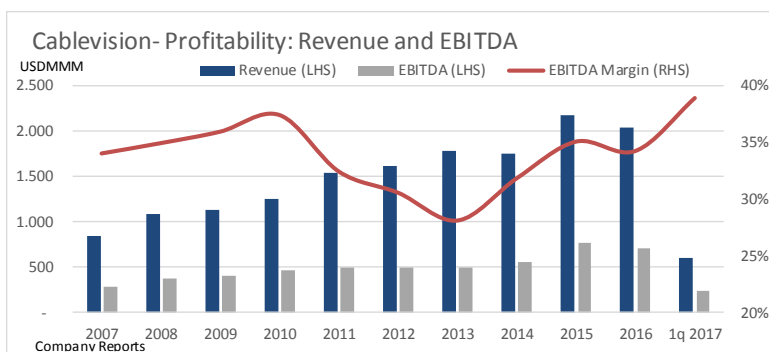
Values in red accounts for annual price change significantly below CPI. CPI2013= 25%, CPI2014= 38%, CPI2015=27%, CPI2016=40% (CPI Ciudad de Buenos Aires except for 2016, INDEC).

Company Reports

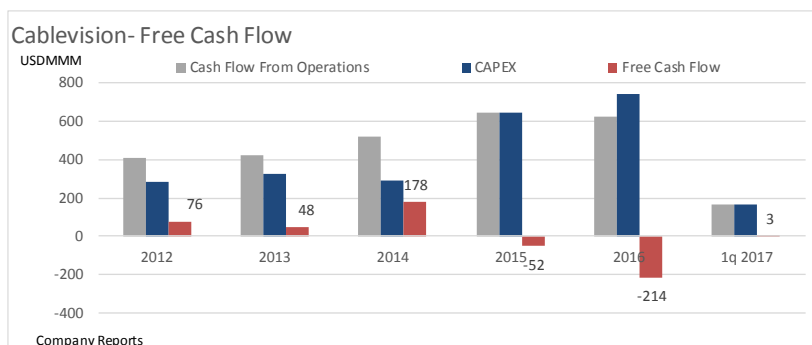
Financial Analysis (Cablevision)
Profitability >> Cash Flow >> Leverage
Profitability

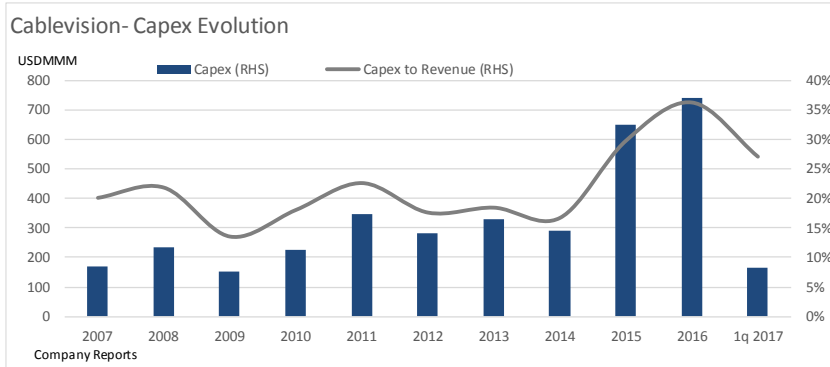
Cablevision’s revenue has reached USD2.038MM in 2016, slightly below 2015 levels despite the company begun consolidating Nextel activities in 2016. The downturn is mainly explained by the large devaluation of December 2015. Ebitda margin averaged 33% in 2007-2016, while in 2016 totaled 37% when excluding Nextel. We expect that EBITDA margins will decline to 29-30% as the business is entering a maturing stage.

In contrast with Cablevision, Nextel has experienced during 2016 problems to pass through inflation costs and retain subscribers, and confirmed the trend during 1Q17. In this way, EBITDA margin has decreased from 21% in 2015 to 14% in 2016 and 13% for 1Q17.


Cash flow

Cablevision has recorded negative Free Cash Flow in the last 2 years despite a strong EBITDA. The company has exhibited higher Capex/ Revenue ratio than local peers, and in consequence has managed to increase its market share, especially in internet services. In 2007-2016 this ratio has averaged 22% but peaked to 35% in the last two years.





Leverage

As of Mar17, debt is mainly comprised by USD500MM of the 2021 International Bond, which has coupon of 6,5%, and a YTM of 4,75%. Liquidity levels are high as cash and equivalent covers all current debt, and Net debt/ Ebitda reached 0,79x in 2016. We forecast that this ratio may peak to 1,2-1,3x in 2020 and descend thereafter as investment plans are completed. Low debt and high liquidity allows Cablevision to continue its expansion plan in telecommunication services.

Cablevision- Financial debt- Mar17

USDMM

	Amount	Rate	2017	2018	2019	2020	2021+
Overdrafts and Bank loans	17		8	2	2	2	2
Accrued Interest	10		41	-	-	-	-
Bonds and Notes	498	6,500%	-	-	-	-	498
Other	43		2	41	-	-	0
Total financial Debt	569		51	43	2	2	501

Company Reports

Cablevision- Net Leverage

USDMM	2012	2013	2014	2015	2016	1q 2017
Debt	568	531	460	469	553	569
EBITDA	493	500	558	763	699	236
Debt/ EBITDA	1,15	1,06	0,82	0,61	0,79	0,60

Company Reports

Total Debt- USDMM 569

Debt By currency- As of Mar17

Pesos	0%
Foreign Currency	100%

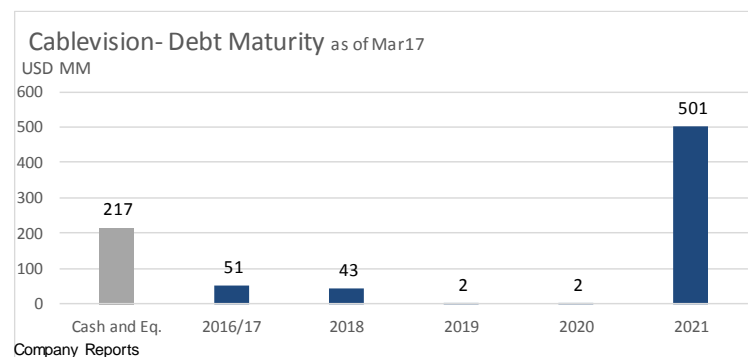
Debt By Maturity- As of Mar17

Current Debt	9%
Non Current	91%

Debt By Instrument- As of Mar17

Bank Loans	3%
Bonds	88%
Other	9%

Company Reports



**Annex IV:
Financial Summary- Telecom**

Telecom de Argentina S.A.				
USD 000	Dec-14	Dec-15	Dec-16	Mar17 3M
Valuation Metrics (ADR)				
P/E	12,45	15,41	21,39	11,31
EV/ EBITDA	5,33	4,87	5,94	4,80
P/BV	3,39	4,32	4,68	4,01
ROE	27%	28%	22%	35%
ROIC	38%	40%	27%	38%
Income Statement				
Revenue	4.107	4.373	3.555	946
Revenues growth	-17,59%	6,49%	-18,71%	
EBITDA	1.070	1.172	962	298
Operating Income	671	693	548	190
Interest expense	4	61	108	16
Income before tax	701	553	373	194
Net Income	459	371	267	126
Cash Flow				
Funds from Operations (FFO)	841	956	875	362
Change in Working Capital	-141	-272	-222	-26
Cash Flow from Operations (CFO)	700	684	653	337
CAPEX	1.120	940	756	169
Dividend payments	160	92	133	0
Free Cash Flow	-579	-348	-236	168
Cash Flow From Investing activities	-1.159	-1.041	-756	-331
Change in Debt	-1	461	427	-154
Equity issuance	0	0	0	0
Cash Flow from Financing activities	-161	369	293	-154
Leverage				
Cash and Equivalent	102	177	359	385
Total Debt	51	377	752	602
Debt/ EBITDA	0,05	0,45	0,83	0,50
Net Debt/ EBITDA	-0,05	0,24	0,43	0,18
Debt/ FFO	0,06	0,52	0,81	0,41
Net Debt/ FFO	-0,06	0,43	0,54	0,15

Financial Summary- Cablevision S.A.

Cablevision S.A.				
USD 000	Dec-14	Dec-15	Dec-16	Mar17 3M
Income Statement				
Revenue	1.750	2.171	2.038	605
Revenues growth	-1,50%	24,07%	-6,12%	
EBITDA	558	762	699	236
Operating Income	406	593	526	175
Interest expense	51	63	45	10
Income before tax	229	315	405	185
Net Income	163	271	274	121
Cash Flow				
Funds from Operations (FFO)	540	566	581	190
Change in Working Capital	-21	77	44	-23
Cash Flow from Operations (CFO)	519	643	626	167
CAPEX	293	647	740	164
Dividend payments	49	47	100	0
Free Cash Flow	178	-52	-214	3
Cash Flow From Investing activities	-378	-607	-761	-145
Change in Debt	-58	45	91	4
Equity issuance	0	0	0	0
Cash Flow from Financing activities	-109	2	-7	4
Leverage				
Cash and Equivalent	232	206	205	217
Total Debt	460	480	553	569
Debt/ EBITDA	0,87	0,88	0,84	0,59
Net Debt/ EBITDA	0,43	0,50	0,53	0,37
Debt/ FFO	0,82	1,07	0,93	0,73
Net Debt/ FFO	0,62	0,77	0,80	0,45