TELECOM ARGENTINA SA
Form 6-K
December 01, 2008
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of December, 2008

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 ______

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 ______ 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 ______ No __X__

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

Yes ______ No __X__

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Telecom Argentina S.A.

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Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Unaudited Consolidated Financial Statements as of September 30, 2008 and December 31, 2007 and for the nine-month periods ended September 30, 2008 and 2007

$: Argentine peso

US$: US dollar

$3.135 = US$1 as of September 30, 2008

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Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Consolidated Balance Sheets as of September 30, 2008 and December 31, 2007

(In millions of Argentine pesos see Note 3.c)

	As of September 30, 2008 (unaudited)	As of December 31, 2007
ASSETS		
Current Assets		
Cash and banks	$ 24	$ 45
Investments	1,101	947
Accounts receivable, net	916	898
Other receivables, net	390	332
Inventories, net	244	157
Other assets, net	7	5
Total current assets	**2,682**	**2,384**
Non-Current Assets		
Other receivables, net	71	282
Investments	6	2
Fixed assets, net	6,118	5,738
Intangible assets, net	779	760
Other assets, net	2	5
Total non-current assets	**6,976**	**6,787**
TOTAL ASSETS	**$ 9,658**	**$ 9,171**
LIABILITIES		
Current Liabilities		
Accounts payable	$ 1,668	$ 1,640
Debt	713	1,474
Salaries and social security payable	197	164
Taxes payable	569	266
Other liabilities	36	50
Contingencies	46	49
Total current liabilities	**3,229**	**3,643**
Non-Current Liabilities		
Accounts payable	25	
Debt	1,733	1,724
Salaries and social security payable	54	43
Taxes payable	230	289
Other liabilities	118	120

Contingencies		280		243
Total non-current liabilities		**2,440**		**2,419**
TOTAL LIABILITIES	**$**	**5,669**	**$**	**6,062**
Minority interest		**88**		**79**
SHAREHOLDERS EQUITY	**$**	**3,901**	**$**	**3,030**
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS EQUITY	**$**	**9,658**	**$**	**9,171**

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

Valerio Cavallo	**Enrique Garrido**
Chief Financial Officer	**Chairman of the Board of Directors**

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TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Unaudited Consolidated Statements of Income

for the nine-month periods ended September 30, 2008 and 2007

(In millions of Argentine pesos, except per share data in Argentine pesos -see Note 3.c)

	For the nine-month periods ended September 30, 2008	2007
Continuing operations		
Net sales	$ 7,789	$ 6,515
Cost of services	(4,104)	(3,554)
Gross profit	**3,685**	**2,961**
General and administrative expenses	(282)	(229)
Selling expenses	(1,863)	(1,531)
Operating income	**1,540**	**1,201**
Financial results, net	(112)	(323)
Other expenses, net	(141)	(76)
Net income before income tax and minority interest	**1,287**	**802**
Income tax expense, net	(446)	(275)
Minority interest	(10)	(15)
Net income from continuing operations	**831**	**512**
Discontinued operations		
Income from the operations		1
Income from assets disposal		101
Net income from discontinued operations		**102**
Net income	**$ 831**	**$ 614**
Net income per share	**$ 0.84**	**$ 0.62**

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

Valerio Cavallo	**Enrique Garrido**
Chief Financial Officer	**Chairman of the Board of Directors**

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TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Unaudited Consolidated Statements of Changes in Shareholders Equity

for the nine-month periods ended September 30, 2008 and 2007

(In millions of Argentine pesos see Note 3.c)

	Shareholders contributions				Unappropriated earnings			
	Common stock	Inflation adjustment of common stock	Total	Legal reserve	Foreign currency translation adjustments	Accumulated deficit	Total	Total Shareholders equity
Balances as of January 1, 2007	**$ 984**	**2,688**	**3,672**		**49**	**(1,592)**	**(1,543)**	**$ 2,129**
Foreign currency translation adjustments					5		5	5
Net income for the period						614	614	614
Balances as of September 30, 2007	**$ 984**	**2,688**	**3,672**		**54**	**(978)**	**(924)**	**$ 2,748**
Balances as of January 1, 2008	**$ 984**	**2,688**	**3,672**		**66**	**(708)**	**(642)**	**$ 3,030**
Foreign currency translation adjustments					39		39	39
Changes in the fair value of cash flow hedges					1		1	1
Net income for the period						831	831	831
Balances as of September 30, 2008	**$ 984**	**2,688**	**3,672**		**106**	**123**	**229**	**$ 3,901**

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

Valerio Cavallo
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

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TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Unaudited Consolidated Statements of Cash Flows

for the nine-month periods ended September 30, 2008 and 2007

(In millions of Argentine pesos see Note 3.c)

	For the nine-month periods ended September 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	$ 831	$ 614
Net income from discontinued operations		(102)
Net income for the period from continuing operations	831	512
Adjustments to reconcile net income to net cash flows provided by continuing operations		
Allowance for doubtful accounts and other allowances	73	63
Depreciation of fixed assets	946	1,019
Amortization of intangible assets	16	32
Consumption of materials	85	55
Gain on sale/disposal of fixed assets and other assets	(3)	(8)
Provision for lawsuits and contingencies	65	48
Holdings loss on inventories	30	46
Interest and other financial losses on loans	224	348
Income tax	442	268
Minority interest	10	15
Net increase in assets	(361)	(219)
Net decrease in liabilities	(14)	(133)
Total cash flows provided by operating activities	**2,344**	**2,046**
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed asset acquisitions	(1,154)	(862)
Intangible asset acquisitions	(10)	(22)
Equity investees acquisitions	(97)	
Proceeds for the sale of fixed assets and other assets	11	10
Decrease (increase) in investments not considered as cash and cash equivalents	432	(38)
Proceeds for the sale of equity investees		182
Total cash flows used in investing activities	**(818)**	**(730)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt proceeds	102	40
Payment of debt	(917)	(653)
Payment of interest and debt-related expenses	(113)	(165)
Cash dividends paid	(29)	(28)
Total cash flows used in financing activities	**(957)**	**(806)**

INCREASE IN CASH AND CASH EQUIVALENTS	**569**	**510**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**458**	**661**
CASH AND CASH EQUIVALENTS AT PERIOD END	**$ 1,027**	**$ 1,171**

See Note 6 for supplementary cash flow information.

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

Valerio Cavallo	**Enrique Garrido**
Chief Financial Officer	**Chairman of the Board of Directors**

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Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Notes to the Unaudited Consolidated Financial Statements

(In millions of Argentine pesos, except as otherwise indicated See Note 3.c)

1. The Company and its operations

Telecom Argentina STET-France Telecom S.A. (Telecom Argentina or Telecom and together with its subsidiaries, the Company or the Telecom Group , indistinctively) was created by a decree of the Argentine Government in January 1990 and organized as a *sociedad anónima* under the name Sociedad Licenciataria Norte S.A. on April 23, 1990. In November 1990, this legal name was changed to Telecom Argentina STET-France Telecom. However, as a result of a change in the Company s controlling group and the termination of the Management Agreement relationship with respect to France Cables et Radio S.A. (a subsidiary of France Telecom S.A.) as joint operator of the Company, at the Extraordinary and Ordinary Shareholders Meeting held on February 18, 2004, the shareholders approved the change of the legal name of the Company to Telecom Argentina S.A. Accordingly, the Company amended its by-laws to effect this change in accordance with the prior approval obtained from the Department of Communications (SC , the Regulatory Authority) and the *Comisión Nacional de Valores (CNV*), the National Securities Commission in Argentina.

The Company provides fixed-line public telecommunication services, international long-distance service, data transmission, Internet services and directories publishing services in Argentina. The Company also provides wireless telecommunication services in Argentina and Paraguay.

Telecom Argentina commenced operations on November 8, 1990 (the Transfer Date), upon the transfer to the Company of the telecommunications network of the northern region of Argentina previously owned and operated by the state-owned company, Empresa Nacional de Telecomunicaciones (ENTel).

Telecom Argentina s license, as originally granted, was exclusive to provide telephone services in the northern region of Argentina through November 8, 1997, with the possibility of a three-year extension. In March 1998, the Argentine Government extended the exclusivity period to late 1999 and established the basis for a transition period towards deregulation of the telecommunications market.

In this context, the SC provided for a transition period, which ended on October 10, 1999. As from such date, the Company began providing telephone services in the southern region of Argentina and competing in the previously exclusive northern region.

2. Regulatory framework

(a) Regulatory bodies and general legal framework

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

The provision of telecommunication services is regulated by the SC and supervised by the *Comisión Nacional de Comunicaciones*, the National Communications Commission (CNC). The CNC is responsible for the general oversight and supervision of telecommunications services. The SC has the authority to develop, suggest and implement policies; to ensure that these policies are applied; to review the applicable legal regulatory framework; to act as the enforcing authority with respect to the laws governing the relevant activities; to approve the major technical plans and to resolve administrative appeals filed against CNC resolutions.

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

- The Privatization Regulations, including the List of Conditions;

- The Transfer Agreement;

- The Licenses granted to Telecom Argentina and its subsidiaries;

- The Tariff Agreements; and

- Various governmental decrees, including Decree No. 764/00, establishing the regulatory framework for licenses, interconnection, universal service and radio spectrum management.

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

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TELECOM ARGENTINA S.A.

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Notes to the Unaudited Consolidated Financial Statements

(In millions of Argentine pesos, except as otherwise indicated   See Note 3.c)

2. Regulatory framework (continued)

(b) Licenses granted as of September 30, 2008

As of September 30, 2008, Telecom Argentina has been granted the following non-expiring licenses to provide the following services in Argentina:

- Local fixed telephony;
- Public telephony;
- Domestic and international long-distance telephony;
- Domestic and international point-to-point link services;
- Domestic and international telex services;
- Value added services, data transmission, videoconferencing and broadcasting signal services; and
- Internet access.

As of September 30, 2008, the Company   s subsidiaries have been granted the following licenses:

- Personal has been granted a non-exclusive, non-expiring license to provide mobile telecommunication services in the northern region of Argentina and data transmission and value added services throughout the country. In addition, Personal owns licenses to provide mobile radio communication services in the Federal District and Greater Buenos Aires areas, as well as a non-expiring license to provide PCS services throughout the country and it is registered to provide national and international long-distance telephone services; and

- Nucleo S.A. (Nucleo) has been granted a renewable five-year period license to provide mobile telecommunication services in Paraguay as well as PCS services and Internet access in certain areas of that country.

(c) Revocation of the license

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

- the interruption of all or a substantial portion of service;
- the serious non-performance of material obligations;
- the modification of its corporate purpose or change of domicile to a jurisdiction outside Argentina;
- any sale, encumbrance or transfer of assets which may result in a reduction of level of services provided, without the prior approval of the regulatory authority;
- the reduction of Nortel Inversora S.A. s (Nortel , the parent company of the Company) interest in Telecom Argentina to less than 51%, or the reduction of Nortel s common shareholders interest in Nortel to less than 51%, in either case without prior approval of the regulatory authorities;
- the assignment or delegation of Telecom Italia S.p.A. s (Telecom Italia or the Operator) functions without the prior approval of the regulatory authority; and
- the Company s bankruptcy.

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

- repeated interruptions of the services;
- any transfer of the license and/or the related rights and obligations, without the prior approval of the Regulatory Authority;
- any encumbrance of the license;
- the voluntary insolvency proceedings or bankruptcy of Personal and,
- the liquidation or dissolution of Personal, without the prior approval of the Regulatory Authority.

Nucleo s licenses are revocable mainly in the case of:

- interruption of services;

- the bankruptcy of Nucleo and,

- non-compliance with certain obligations.

TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Notes to the Unaudited Consolidated Financial Statements

(In millions of Argentine pesos, except as otherwise indicated See Note 3.c)

2. Regulatory framework (continued)

(d) Decree No. 764/00

Decree No. 764/00 substantially modified three regulations:

General Regulation of Licenses

This regulation establishes a single nationwide license for the provision of all telecommunication services to the public, including fixed-line, wireless, national and international, irrespective of whether these services are provided through telecommunications infrastructure owned by the service provider. Under the regulation, a licensee s corporate purpose does not need to be exclusively the provision of telecommunications services. In addition, the regulation does not establish any minimum investment or coverage requirements. Broadcasting services companies may also apply for a license to provide telecommunications services. The regulation further authorizes the resale of telecommunications services subject to the receipt of a license, and there are no restrictions on participation by foreign companies.

Argentine Interconnection Regulation

This regulation provides for an important reduction in the reference prices for interconnection. The regulation also increases the number of functions that the dominant operator must provide, including the obligation to provide interconnection at the local exchange level, to provide billing services and to unbundle the local loop. This regulation also introduces interconnection for number translation services (NTS) such as Internet, audiotext, collect calling and the implementation of number portability, all of which shall be subject to future regulations.

Universal Service (SU) Regulation

Now modified by Decree No. 558/08, the SU regulation required entities that receive revenues from telecommunications services to contribute 1% of these revenues (net of taxes) to the Universal Service Fiduciary Fund (the SU fund). The regulation adopted a pay or play mechanism for compliance with the mandatory contribution to the SU fund. The regulation established a formula for calculating the subsidy for the provision of SU, which takes into account the cost of providing this service and any foregone revenues. Additionally, the regulation created a committee responsible for the administration of the SU fund and the development of specific SU programs.

On June 8, 2007, the SC issued Resolution No. 80/07 which stipulates that until the SU Fund is effectively implemented, telecommunication service providers, such as Telecom Argentina and Personal, are required to deposit the contributions corresponding to future obligations originating since the Resolution was issued onward into a special individual account held in their name at the Banco de la Nación Argentina. The amounts to be deposited would be determined according to the provisions of CNC Resolution No. 2,713/07, issued in August 2007.

However, at the date of issuance of these consolidated financial statements, material regulations to implement SU programs are still pending.

New SU Regulation

Decree No. 558/08, published on April 4, 2008, recently caused certain changes to the SU regime.

The Decree establishes that, with respect to obligations originated under Decree No. 764/00, the SC will assess the value of those that were complied with, and the level of funding from the SU Fund for those that are still pending. Likewise, the SC could choose to consider as SU other undertakings which are carried out by the telecommunication services providers, and provide for their compensation so as to guarantee their continuity.

The new regulation establishes two SU categories: a) areas with uncovered or unsatisfied needs; and b) customer groups with unsatisfied needs. It also determines that the SC will have exclusive responsibility for the issuance of general and specific resolutions regarding the new regulation, as well as for interpreting and applying it.

The Decree requires Telecom and Telefonica de Argentina S.A. (Telefonica) to extend the coverage of their fixed line networks, within their respective areas of activity, within 60 months from the effective date of publication of the Decree. The SC will determine on a case by case basis if the providers will be compensated with funds from the SU Fund.

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(In millions of Argentine pesos, except as otherwise indicated See Note 3.c)

2. Regulatory framework (continued)

The level of financing of SU Programs which were established under the previous regulation and are still ongoing will be determined by the SC, whereas telecommunications providers appointed to participate in future SU Programs will be selected by competitive bidding.

The Decree requires telecommunications service providers to contribute 1% of their revenues (net of taxes) to the SU Fund and keeps the pay or play mechanism for the contribution of the monthly fee or, if corresponds, the claim of the receivable.

Decree No. 558/08 also mandates the creation of the SU Fund and orders that it must be established within 180 days from the date of publication. The providers of telecommunications services shall act in their capacity as trustors in this trust, which shall rely on the assistance of a Technical Committee made up by seven members (two members shall be appointed by the SC, one member shall be appointed by the CNC, three members shall be appointed by the telecommunication services providers two of which shall be appointed by Telecom and Telefonica and one by the rest of the providers and another member to be appointed by independent carriers). This Technical Committee will be informed by the SC of the programs to be financed and will be entrusted with assisting and controlling the SU Fund, carrying out technical-economic evaluations of existing projects and supervising the process of competitive bidding and adjudication of new SU programs, with the prior approval of the SC.

The Decree also requires telecommunications service providers to create, within 60 days from its effective date of publication, a procedure to select the Fiduciary institution and to provide a Fiduciary agreement proposal, both subject to the SC approval. At the date of issuance of these consolidated financial statements, telecommunications service providers had already sent to the SC the Fiduciary agreement and had selected the Fiduciary institution, in compliance with Decree No. 558/08.

The Management of the Company has analyzed the impact of this new regulation and is awaiting for pending definitions by the SC in order to complete its evaluation of the operating and economical impact of the regulation.

<u>In Telecom</u>

By the end of 2002, the SC formed a Working group whose main purpose was to analyze the method to be applied in measuring the costs of the SU performance in particular the application of the HCPM Model , based in incremental costs of a theoretical network , as well as the definition and methodology for the calculation of the Non-Monetary Benefits , in order to determine the costs to offset for the performance of the SU. Said Working group determined that, considering the complexity of this methodology, efforts should be made in the short term to go on with the initial programs, independently from the HCPM model, and that there was a need to carry out a thorough revision of the present General Regulations of the SU to make said regulations operative in the short term, according to the existing social needs.

After several years from the beginning of the opening of the market and the coming into effect of the first regulations of the SU, said regulations are still to be implemented. Therefore, those under said regulations suppliers have not received set-offs for the supplies under the SU, which supplies they have been delivering since the beginning of the abovementioned opening of the market. In addition, as the Regulatory Authority has not issued any rules or regulations as regards the SU performance in general and the trust fund in particular, no contribution has been made effective to said fund.

In compliance with SC Resolution No. 80/07 and CNC Resolution No. 2,713 /07, for the period July 2007 - August 2008 Telecom has estimated a receivable of $312 and filed the calculations for review by the Regulatory Authority. This receivable has not been recorded since it is subject to the approval of the SU programs, the review by the Regulatory Authority and the availability of funds in the trust. Such receivable arose since Telecom is obligated to provide telecommunication services in places or cities that are not profitable.

In Personal

Since January 2001, Personal has been recording a provision related to its obligation to make contributions to the SU fund. As of September 30, 2008, this provision amounts to $117.

As from January 2001, Personal, as well as the other wireless providers, had charged SU fund amounts to customers.

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TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Notes to the Unaudited Consolidated Financial Statements

(In millions of Argentine pesos, except as otherwise indicated   See Note 3.c)

2. Regulatory framework (continued)

SC Resolution No. 99/05 required entities that derived revenues from telecommunications services to contribute 1% of these revenues to the SU fund, and prohibited billing to customers any SU amounts.

As a consequence, the CNC, by means of CNC Note No. 726/05, requested that Personal discontinue billing SU amounts to customers and reimburse all collected SU amounts plus interest (applying the same rate used for overdue invoices from customers).

Although the SC resolutions were appealed, management decided to reimburse the SU amounts which had been billed to post-paid customers from January 1, 2001 through June 28, 2005, the date on which Personal ceased billing SU amounts.

Although Personal reimbursed the SU amounts, it will not surrender its rights to consider the resolutions illegitimate and without merit.

During the first quarter of 2006, Personal fully reimbursed its active post-paid customers all previously billed SU amounts plus interest (amounting to $15). In addition, as from May 2006, Personal has reimbursed the SU amounts billed to its former customers and former post-paid customers that have changed into prepaid customers (amounting to $4) and still remains pending an amount of $6 that is available for collecting.

In December 2006, the CNC issued a preliminary report on the verification of the SU reimbursement, based on the information required to Personal, which stated that Personal fulfilled the reimbursement of the amounts including interest. However, the report stated that the interest rate applied differed from the rate required by the CNC.

On August 7, 2008, the CNC notified to Personal about the potential unfulfillment of CNC Note No. 726/05 referred to the interest rate applied in the reimbursement to customers and ordered Personal to initiate the process of adjustment of the interest reimbursement within 10 days, applying the same rate used for overdue invoices from customers (that is, one and a half of the Banco Nacion Argentina interest rate collected by banks, instead of the 18.85% interest rate used by Personal).

Personal has rejected the claim explaining its grounds to justify the interest rate applied.

In addition, in compliance with SC Resolution No. 80/07 and CNC Resolution No. 2,713/07, Personal has determined for the period July 2007 - September 2008 an account payable of $33, which is included in the provision of $117 abovementioned. Personal has recorded a liability because it has discretion whether to invest or not in the non profitable areas. Accordingly, the pay or play mechanism requires Personal to pay a fee in lieu of investing in those areas.

As a consequence, as of September 30, 2008, Personal had deposited the correspondent contributions on their respective maturity date (amounting to $29) into the special individual account held in their name at the Banco de la Nación Argentina; these contributions were recorded as a receivable in the line item Other receivables of the consolidated balance sheets.

(e) Regulation for the call by call selection of the providers of long-distance services

On December 28, 2001, the former Ministry of Infrastructure and Housing issued General Resolution No. 613/01 which approved a system that allows callers to select their preferred long-distance provider for each call. This call by call selection system is referred to as SPM .

Subsequently, as a result of the claims submitted by several carriers objecting to General Resolution No. 613/01, the Ministry of Economy issued General Resolution No. 75/03, which introduced several changes to the regulations providing for SPM. The main changes relate to the following: long-distance carriers freedom to provide SPM, changes in blockage modality due to delinquency, changes in the service connection modality and greater flexibility of obligations connected with service promotion and advertising. Resolution No. 75/03 also provides that origin providers, both fixed and wireless, must have their equipment and networks available to provide the SPM service on June 6, 2003. As of the date of these consolidated financial statements, this long-distance service modality is not implemented.

(f) Public telephony in penal institutions

As stated by Decree No. 690/06, in August 2007, the SC issued Resolution No. 155/07, where it approves the Rule for Communications that are started in Penal Institutions . Said management stipulates technical requirements that must be complied with by all the telephone lines installed in penal institutions and system with the purpose of registering all the communications carried out.

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Notes to the Unaudited Consolidated Financial Statements

(In millions of Argentine pesos, except as otherwise indicated See Note 3.c)

2. Regulatory framework (continued)

Said rule shall be in force in one year, which may be extended to a similar period, counting as from sixty days from the date in which the technical definition the CNC must issue is actually available.

At the date of issuance of these consolidated financial statements, the Company was evaluating the technical and economic impacts resulting from complying with this new rule.

(g) Tax Stability principle: impact of changes in Social Security contributions

On March 23, 2007, the SC issued Resolution No. 41/07 addressing the treatment of the impact of changes in Social Security contributions that occurred in the past several years.

Subsequent to November 8, 1990, there were several increases in the rates of Social Security Contributions, which were duly paid by Telecom. At the same time, and under the framework of the argentina@internet.todos Program, the Company paid, mostly during fiscal year 2000, reduced social security contribution rates.

Pursuant to Resolution No. 41/07, Telecom Argentina has the right to offset the net impact of rate increases in social security contributions.

The Company made the required presentations to the SC of the net receivable under Resolution No. 41/07, which were subject to audits by the Regulatory Authority.

During the third quarter of 2007, the CNC performed the audits on the information given by the Company. The Company had access to documentation of the CNC audits, which resulted in no significant differences from the amounts as determined by Telecom. Consequently, the Company recorded a receivable from increases in social security contributions and cancelled payables from reduction in social security contribution rates and other fines due by the Company.

Therefore, at September 30, 2008, the Company has a net receivable of $84, which is included in the line item Other receivables ($11 as current receivables and $73 as non-current receivables). The net effect of the application of the Resolution is a pretax gain of $17 (included in Salaries and social security in the consolidated statement of income).

Since the resolution allows the Company to offset the receivables with existing and/or future regulatory duties and the intention of the Company is to exercise its offsetting rights, the receivable was recorded net of reserves. At September 30, 2008, the reserves corresponding to these regulatory duties amounted to $85 (see (i) below and Note 16.e).

(h) Rendering of fixed telephony through mobile telephony infrastructure

By SC Resolution No. 151/07, fixed service with primary category is added to the granting of particular frequency bands, with the purpose of rendering a basic telephone service through the use of wireless infrastructure pertaining to the mobile telephony service in rural and suburban areas, which are within the licensees fix telephony service original Region. The Company has started to install fixed lines based on this technology in rural and suburban areas, in order to render this service in those areas.

(i) Tariff structure of the national and international regulated fixed line services

Rate Rebalancing

The variation in revenues resulting from the Rate Rebalancing for the two-year period beginning February 1997 was determined to amount to an increase of $9.5 million, by means of SC Resolution No. 4,269/99.

In December 2007, the Regulatory Authority notified the Company its intention of offsetting this difference with the Resolution No. 41/07 receivables. As a consequence, during fiscal year 2007, the Company recorded a reserve on this matter on behalf of the CNC final results, which was shown as a deduction from the Resolution No. 41/07 receivables.

Price Cap

The Price Cap was a regulation mechanism applied in order to calculate changes in Telecom tariffs, based on changes in the U.S. Consumer Price Index (U.S. C.P.I.) and an efficiency factor.

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2. Regulatory framework (continued)

In September 2007, the Regulatory Bodies finalized the 1999 Price Cap audit resulting in a payable by the Company of $10.2. Management of the Company is reviewing the results, and if the amount is appropriate, the Company intends to offset this balance with the credit resulting from SC Resolution No. 41/07, described in (g) above.

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

The 2000 Price cap audit results are still pending. Should the outcome is a payable by the Company it can be offset with the Resolution No. 41/07 receivables.

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

However, a preliminary injunction against Telecom Argentina disallowed Telecom to apply tariff increases by reference to the U.S. C.P.I. Telecom Argentina appealed this injunction arguing that if one part of the formula cannot be applied, the Price Cap system should be nullified. Finally, Public Emergency Law No. 25,561 explicitly prohibited tariff adjustments, so, at the date of issuance of these consolidated financial statements, the pesification and the freeze of the regulated tariffs are still in force. Additional information is given in Note 11.d Other claims.

Tax on deposits to and withdrawals from bank accounts (IDC)

On February 6, 2003, the Ministry of Economy, through Resolution No. 72/03, defined the mechanism to allow, as from that date, tariff increases of the basic telephony services reflecting the impact of the IDC. The amount of the tax charged must be shown separately on the customers bills. The Company has determined a remaining unrecovered amount of approximately $23 that arose before the issuance of Resolution No. 72/03, which will be claimed within the tariff renegotiation process (see (j) below).

In April 2007, the Company provided the CNC with supporting documentation on this amount for its audit. The Company had access to documentation of the Regulatory Authority s audits that corroborates the amounts claimed by the Company and the application of a similar offsetting mechanism pursuant to Resolution No. 41/07. Therefore, as of December 31, 2007, the Company recorded as Other receivable a total of $23.

In accordance with the New Letter of Understanding (see (j) below) these matters should have been fulfilled by the Regulatory Bodies no further than June 30, 2006.

(j) Renegotiation of agreements with the Argentine Government

Telecom Argentina s tariff scheme and procedures are detailed in the Tariff Agreement entered into by Telecom Argentina and the Argentine Government in November 1991, as amended in February 1992. Pursuant to the Tariff Agreement, all tariffs were to be calculated in US dollars and converted into Argentine pesos at the time the customer was billed using the exchange rate prevailing at that time. Under the Convertibility law that was effective until January 2002, the applicable exchange rate was $1 to US$1. Tariffs were to be adjusted twice a year in April and October based on the variation of the U.S. C.P.I. These adjustments were not applied since 2000 according to a resolution of the SC.

However, in January 2002, the Argentine Government enacted Law No. 25,561, *Ley de Emergencia Pública y Reforma del Régimen Cambiario* (the Public Emergency Law), which provided, among other aspects, for the following:

- The pesification of tariffs;
- The elimination of dollar or other foreign-currency adjustments and indexing provisions for tariffs;
- The establishment of an exchange rate for dollar-denominated prices and rates of $1 =US$1; and
- The renegotiation of the conditions of the contractual agreements entered into between privatized companies and the Argentine Government.

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2. Regulatory framework (continued)

The Argentine Government is entitled to renegotiate these agreements based on the following criteria:

- The overall impact of tariffs for public services on the economy and income levels;
- Service quality and investment plans, as contractually agreed;
- The customers interests and access to the services;
- The security of the systems; and
- The profitability of the service providers.

Decree No. 293/02, dated February 12, 2002, entrusted the Ministry of Economy with the renegotiation of the agreements. Initially, the contractual renegotiation proposals were to be submitted to the Argentine Government within 120 days after the effective date of the Decree, although this term was further extended for an additional 180-day period. Telecom Argentina filed all information as required by the Argentine Government, which included information on the impact caused by the economic crisis on the Company s financial position and its revenues, the pre-existing mechanisms for tariff adjustments, operating costs, indebtedness, payment commitments with the Argentine Government and future and on-going investment commitments.

Furthermore, in July 2003, Decree No. 311/03 created the Unidad de Renegociación y Análisis de Contratos de Servicios Públicos (UNIREN), (Division for the Renegotiation and Analysis of Contracts of Public Utilities Services), a special division within the Ministry of Economy and the Ministry of Federal Planning, Public Investments and Services, pursuant to which the contractual relationships between the Argentine Government and the service providers were to be revised and renegotiated. In October 2003, the Argentine Government enacted Law No. 25,790 pursuant to which the original term to renegotiate the contracts was extended through December 31, 2004. As from that date, the Argentine Government enacted subsequent laws pursuant to which this term was extended through December 31, 2008.

In May 2004, the Company signed a Letter of Understanding (LOU) with the Argentine Government pursuant to which the Company committed not to modify the current tariff structure through December 31, 2004 and to continue with the tariff renegotiation process, which the Company expected to have concluded before December 31, 2004. The Company also committed to offer phone services to beneficiaries of governmental welfare programs and to extend internet services in the interior of the country at reduced prices.

Even though the Company fulfilled its commitments under the LOU, the Argentine Government did not make a specific offer related to the renegotiation of the tariffs at the date set in the LOU.

New Letter of Understanding with the UNIREN

On March 6, 2006, Telecom Argentina signed a new Letter of Understanding (the Letter) with the UNIREN. Once the procedures set forth in the current regulations are fulfilled, the Letter will constitute the necessary precedent for the signing of the *Acta Acuerdo de Renegociación del Contrato de Transferencia de Acciones* (the Minute of Agreement of the Renegotiation) approved by Decree No. 2,332/90, as stated in Section 9 of Public Emergency Law.

The main terms and conditions of the Letter include:

The CNC and UNIREN determined that Telecom Argentina satisfactorily complied with the majority of the obligations required by the Transfer Agreement and the regulatory framework. Isolated violations were satisfactorily remedied through fines and/or sanctions. Other matters arising in the normal course of business are still pending resolution, which was originally expected by June 30, 2006. The Regulatory Authority is currently analyzing these matters and their resolutions will be gradually known;

Telecom Argentina s commitments to invest in the technological development and updating of its network;

Telecom Argentina s commitment to the achievement of its long-term service quality objectives;

The signing parties commitment to comply with and maintain the terms set forth in the Transfer Agreement, and in the current regulatory framework;

The Argentine Government s commitment to consolidate an appropriate and standardized regulatory framework for telecommunications services and to give Telecom Argentina fair and equivalent treatment to that given to other telecommunications providers that may take part in the process;

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2. Regulatory framework (continued)

Telecom Argentina s commitment and the commitment of its indirect shareholders Telecom Italia S.p.A. and W de Argentina - Inversiones S.L., to suspend for a period of 210 working days any and all claims, appeals and proceedings filed or in the process of being filed, in administrative, arbitral or judicial offices, in Argentina or in any other jurisdiction, on the grounds of any act or measure taken after the enactment of the Public Emergency Law with respect to the Transfer Agreement and the License. The suspension will take effect as from the 30^{th} day of the conclusion of the public hearing to be held to debate the Letter. Once the Minute of Agreement of the Renegotiation is ratified, any and all claims, appeals and/or proceedings will be disregarded;

The ending termination charge of international incoming calls to a local area will be increased to be equivalent to international standards, which is at present strongly depreciated;

Off-peak telephone hours corresponding to reduced tariffs shall be unified with regards to local calls, long distance domestic and international calls.

On May 18, 2006, the Letter was debated in a public hearing aimed at obtaining the necessary consensus for the final signing of the Minute of Agreement of the Renegotiation. The Minute of Agreement of Renegotiation will be effective once all the requirements stipulated in the Agreement and in the regulatory framework are complied with, which among other things, requires that a Telecom Argentina Stockholders Meeting be held to approve the Minute. Both Telecom Argentina and its indirect stockholders Telecom Italia S.p.A. and W de Argentina - Inversiones S.L. have opportunely fulfilled the Agreement s commitments.

During fiscal year 2007, the Regulatory Authority has resolved some of these matters, as the closing of some Price Cap audits, the issuance of Resolution No. 41/07 and the IDC offsetting mechanism.

At the date of issuance of these financial statements, the Company is expecting the fulfillment of the necessary steps for the signing of the Minutes of Agreement of the Renegotiation.

Although there can be no assurance as to the ultimate outcome of these matters, it is the opinion of the Management of the Company that the renegotiation agreement process will be successfully completed.

(k) Buy Argentine Act

In December 2001, the Argentine Government passed Public Law No. 25,551 (Compre Trabajo Argentino or the Buy Argentine Act) and in August 2002, passed Decree No. 1,600/02 which approved and brought into effect the Compre Trabajo Argentino. The law requires Telecom Argentina to give preference to national goods and services, as defined in Public Laws No. 25,551 and No. 18,875, in any procurement related to the rendering of public telephony services (sect.1 & 2).

Preference must be given so long as the price of such goods is equal to or lesser than the price of a non-national good (including Customs duties, taxes and other expenses related to a good s nationalization) increased by 7% (when the offeror is a small or medium size company) or 5% (when the offeror is any other company) (sect.3).

Compre Trabajo Argentino also mandates that Telecom Argentina publish any bid for services in the Official Bulletin in order to provide any and all prospective offerors with the information necessary for them to participate. This mandatory publication requires considerable lead-time prior to the issuance of the purchase order and has had the result of extending the period needed to complete certain purchases. Non-compliance with Compre Trabajo Argentino is subject to criminal sanctions.

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

In August 2004, CNC Resolution No. 2,350/04 enacted the Procedure for the fulfillment of the Buy Argentine Act , including the obligation for the Company to present half-year affidavit on the fulfillment of these rules. Non-compliance with this procedure is subject to administrative sanctions.

This regulation, thus, reduce the operating flexibility of the Company due to the time required to request bids for services and/or to obtain an approval of the relevant authority when necessary, and the higher administrative expenses derived from the obligation to present half-year affidavits.

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3. Preparation of financial statements

(a) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles used in Argentina (Argentine GAAP), considering the regulations of the CNV, which differ in certain significant respects from generally accepted accounting principles in the United States of America (US GAAP). Such differences involve methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission (SEC).

However, certain reclassifications and accommodations have been made to conform more closely to the form and content required by the SEC.

(b) Basis of consolidation

These consolidated financial statements include the accounts of Telecom Argentina and its subsidiaries over which it has effective control.

All significant intercompany accounts and transactions have been eliminated in preparation of the consolidated financial statements.

In accordance with Argentine GAAP, the presentation of the parent company s individual financial statements is mandatory. Consolidated financial statements are to be included as supplementary information to the individual financial statements. For the purpose of these financial statements, individual financial statements have been omitted since they are not required for SEC reporting purposes (see Note 14 for a description of certain condensed unconsolidated information).

A description of the subsidiaries with their respective percentage of capital stock owned is presented as follows:

Reportable segment	Subsidiaries	Percentage of capital stock owned and voting rights as of September 30, 2008 (i)
Voice, data and Internet	Telecom Argentina USA	100.00%
	Micro Sistemas (ii)	99.99%
	Cubecorp Argentina S.A. (Cubecorp)	95.00%
Wireless	Personal	99.99%
	Nucleo	67.50%

(i) Percentage of equity interest owned has been rounded.
(ii) Dormant entity at September 30, 2008.
As of September 30, 2007, the operations from the former subsidiary Publicom has been consolidated in a separate caption in the consolidated statement of income (Discontinued operations); so, the former reportable segment Directories publishing has been replaced for this line item in the Segment information.

(c) Presentation of financial statements in constant Argentine Pesos

On August 22, 1995, the Argentine Government issued Decree No. 316/95 discontinuing the requirement that financial information be restated for inflation for any date or period after August 31, 1995. Effective September 1, 1995 in accordance with CNV resolutions and Argentine GAAP, the Company began accounting for its financial transactions on a historical cost basis, without considering the effects of inflation. Prior to September 1, 1995, the financial statements were prepared on the basis of general price level accounting, which reflected changes in purchasing power of the Argentine Peso in the historical financial statements. The financial statement information of periods prior to August 31, 1995 was restated to pesos of general purchasing power at the end of August 31, 1995 (constant Pesos). The August 31, 1995 balances, adjusted to the general purchasing power of the Peso at that date, became the historical cost basis for subsequent accounting and reporting.

However, as a result of the inflationary environment in Argentina and the conditions created by the Public Emergency Law, the CPCECABA approved on March 6, 2002, a resolution reinstating the application of inflation accounting in financial statements for fiscal years or interim periods ending on or after March 31, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are deemed to be stated in constant currency as of December 31, 2001 (the Stability Period).

On July 16, 2002, the Argentine Government instructed the CNV to accept financial statements prepared in constant currency. On July 25, 2002, the CNV reinstated the requirement to submit financial statements in constant currency, following the criteria of the CPCECABA.

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3. Preparation of financial statements (continued)

However, on March 25, 2003, the Argentine Government reinstructed the CNV to preclude companies from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV resolved discontinuing inflation accounting as of March 1, 2003. The Company complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were also restated until that date.

In October 2003, the CPCECABA resolved to discontinue inflation accounting as of September 30, 2003. Since Argentine GAAP required companies to prepare price-level restated financial statements through September 30, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. Changes in wholesale price indices for the periods indicated were as follows:

Periods		% change
January 2002	February 2003	119.73
January 2002	September 2003	115.03

As recommended by Argentine GAAP, the following table presents a comparison between certain condensed balance sheet and income statement information for the nine-month period ended September 30, 2008, as restated for the effects of inflation through September 30, 2003, and the corresponding reported amounts which included restatement only through February 28, 2003:

	As reported (*) (I)	As restated through September 30, 2003 (**) (II)	Effect (I) (II)
Total assets	9,658	9,604	(54)
Total liabilities	5,669	5,650	(19)
Minority interest	88	88	
Shareholders equity	3,901	3,866	(35)
Net income	831	837	6

(*) As required by CNV resolution.
(**) As required by Argentine GAAP.

(d) Interim financial information

The accompanying September 30, 2008 consolidated financial statements are unaudited. The interim consolidated financial statements should be read in conjunction with the audited financial statements and related footnotes. The unaudited financial statements include, in the opinion of Management of the Company, all adjustments, consisting only of normal recurring adjustments that are considered necessary for the fair presentation of the information in the financial statements. Operating results for the nine-month period ended September 30, 2008 are not necessarily indicative of results that may be expected for any future periods.

(e) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Reclassifications

Certain reclassifications of prior year information have been made to conform to the current year presentation.

(g) Statement of cash flows

The Company considers all highly liquid temporary investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

The statement of cash flows has been prepared using the indirect method.

(h) Concentration of credit risk

The Company s cash equivalents and investments include high-quality securities placed with various major financial institutions with high credit ratings. The Company s investment policy limits its credit exposure to any one issuer/obligor.

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3. Preparation of financial statements (continued)

The Company s customers include numerous corporations. The Company serves a wide range of customers, including residential customers, businesses and governmental agencies. As such, the Company s account receivables are not subject to significant concentration of credit risk. While receivables for sales to these various customers are generally unsecured, the financial condition and creditworthiness of customers are routinely evaluated. Fixed customer lines were 3,922,000 (unaudited) at September 30, 2008 and 3,818,000 (unaudited) at September 30, 2007 and wireless customer lines, excluding prepaid lines and Internet subscribers (Argentina and Paraguay combined) were 4,213,000 (unaudited) at September 30, 2008 and 3,487,000 (unaudited) at September 30, 2007.

The Company provides for losses relating to accounts receivable. The allowance for losses is based on management s evaluation of various factors, including the credit risk of customers and other information. While management uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all significant events and/or transactions that are subject to reasonable and normal methods of estimation, and the accompanying consolidated financial statements reflect that consideration.

(i) Earnings per share

The Company computes net (loss) income per common share by dividing net income (loss) for the period by the weighted average number of common shares outstanding.

4. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of the financial statements.

(a) Foreign currency translation

The financial statements of the Company s foreign subsidiaries are translated in accordance with RT 18, Specific Considerations for the Preparation of Financial Statements . RT 18 establishes guidelines to classify foreign investments either as foreign operations or foreign entities . A company is to be regarded as a foreign entity if it is financially, economically and organizationally autonomous. Otherwise, a company is to be regarded as a foreign operation if its operations are integral to those of the Company. The Company s foreign subsidiaries have been classified as foreign entities since they are financially, economically and organizationally autonomous. Accordingly, and pursuant to RT 18, financial statements of foreign entities are translated using period-end exchange rates for assets, liabilities and results of operations. Adjustments resulting from these translations are accumulated and reported as Foreign currency translation adjustments , a separate line item in the equity section.

(b) Revenue recognition

The Company s principal sources of revenues by reportable segments are:

Voice, data and Internet services

- Fixed telephone services:

Domestic services revenues consist of monthly basic fees, measured service, long-distance calls and monthly fees for additional services, including call forwarding, call waiting, three-way calling, itemized billing and voicemail.

Revenues are recognized when earned. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on traffic and are accrued at the end of the month.

Basic fees are generally billed monthly in advance and are recognized when services are provided. Billed basic fees for which the related service has not yet been provided are deducted from corresponding accounts receivable. Revenues derived from other telecommunications services, principally network access, long distance and airtime usage, are recognized monthly as services are provided.

Revenues from the sale of prepaid calling cards are recognized in the month in which the traffic is used or in which the card expires, whichever happens first. Remaining unused traffic for unexpired calling cards is shown as Deferred revenue in accounts payable.

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4. Summary of significant accounting policies (continued)

Revenues from installations consist primarily of amounts charged for the installation of local access lines. Installation fees are recognized at the time of installation or activation. The direct incremental cost related to installations and activations are expensed as incurred. Installation and activation costs exceed installation revenues for all periods presented. Reconnection fees charged to customers when resuming service after suspension are deferred and recognized ratably over the average life for those customers who are assessed a reconnection fee. Associated direct expenses are also deferred over the estimated customer relationship period in an amount equal to or less than the amount of deferred revenues. Reconnection revenues are higher than its associated direct expenses.

Interconnection charges represent amounts received by the Company from other local service providers and long-distance carriers for calls that are originated on their networks and transit and/or terminate on the Company s network. Revenue is recognized as services are provided.

The revenues and related expenses associated with the sale of equipment are recognized when the products are delivered and accepted by the customers.

- International long-distance services:

The Company provides international telecommunications service in Argentina including voice and data services and international point-to-point leased circuits.

Revenues from international long-distance service reflect payments under bilateral agreements between the Company and foreign telecommunications carriers, covering inbound international long-distance calls.

Revenues are recognized as services are provided.

- Data transmission and Internet services:

Data and Internet revenues mainly consist of fixed monthly fees received from residential and corporate customers for data transmission (including private networks, dedicated lines, broadcasting signal transport and videoconferencing services) and Internet connectivity services (dial-up and broadband). These revenues are recognized as services are rendered.

Revenues from the sale of modems and the related sale expenses (which are generally higher than the connection fees charged to customers) are recognized when the products are delivered and accepted by the customers.

Wireless telecommunication services

The Company provides wireless telephone service throughout Argentina via cellular and PCS networks. Cellular and PCS fees consist of monthly basic fees, airtime usage charges, roaming, charges for termination of calls coming from other cellular operators (TLRD), calling party pays charges (CPP) and additional charges for value-added services, including call waiting, call forwarding, three-way calling, voicemail, short message systems (SMS), and for other miscellaneous cellular and PCS services. These revenues are recognized as services are rendered.

Basic fees are generally billed monthly in advance and are recognized when services are provided. Billed basic fees for which the related service has not yet been provided are deducted from corresponding accounts receivable.

Equipment sales consist principally of revenues from the sale of wireless handsets to new and existing customers and to agents and other third-party distributors. The revenues and related expenses associated with the sale of wireless handsets, which are generally higher than the prices paid by the customers, are recognized when the products are delivered and accepted by them.

Revenues from the sale of prepaid calling cards are recognized in the month in which the traffic is used or in which the card expires, whatever happens first. Remaining unused traffic for unexpired calling cards is shown as deferred revenue in current liabilities.

Discontinued operations (former Directory publishing)

Revenues and expenses related to publishing directories are recognized on the issue basis method of accounting, which recognizes the revenues and expenses at the time the related directory is published, fulfilling the Company s contractual obligation to customers.

Revenues related to Internet advertising are recognized at the time the advertisement is available on the Internet network.

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4. Summary of significant accounting policies (continued)

(c) Foreign currency transaction gains/losses

Foreign currency transaction gains and losses are included in the determination of net income or loss.

However, CNV Resolution No.398 allowed the application of CPCECABA Resolution MD No.3/02, issued in March 2002, which provides that foreign currency transaction gains or losses on or after January 6, 2002, related to foreign-currency denominated debts as of such date must be allocated to the cost of assets acquired or constructed with such financing, as long as a series of conditions and requirements established in such standard are fulfilled. The Company adopted these resolutions and allocated the costs to fixed assets accordingly.

In July 2003, the CPCECABA suspended such accounting treatment and therefore required foreign currency transaction gains and losses to be included in the determination of net income as from July 28, 2003.

The net carrying value of these capitalized costs was $74 as of September 30, 2008 ($72 in the Voice, data and Internet segment and $2 in the Wireless segment) and $106 as of December 31, 2007 ($96 in the Voice, data and Internet segment and $10 in the Wireless segment).

(d) Cash and banks

Cash and banks are stated at face value.

(e) Trade accounts, other receivables and payables, in currency, arising from the sale or purchase of goods and services and financial transactions

Certain receivables and payables on the sale or purchase of goods and services, respectively, and those arising from financial transactions, are measured based on the calculation of their discounted value using the internal rate of return of such assets or liabilities at the time of initial measurement. This method is also called the amortized cost method and is equivalent to the face value of the receivables/payables plus the accrued interest less the collections/payments made at period-end.

As mentioned in Note 3.h, the Company provides for losses relating to doubtful accounts based on management s evaluation of various factors.

(f) Other receivables and payables in currency not included in (e) and (g)

Other non-current receivables and non-current payables not included in (e) above and (g) below, are measured based on the calculation of their discounted value using the internal rate of return of such assets or liabilities at period-end.

Other current receivables and current payables are stated at face value.

(g) Deferred tax assets and liabilities and credits on minimum presumed income tax

Deferred tax assets and liabilities and minimum presumed income tax credits are stated at face value.

Since 2002, the Telecom Group, following the guidelines of the FACPCE, has treated the differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes as temporary differences. Additional information on the impact of this treatment in the Company s financial position is given in Note 10.

(h) Investments

Time deposits are valued at their cost plus accrued interest at period-end.

Mutual funds are carried at market value. Unrealized gains and losses are included in financial results, net, in the consolidated statements of income.

The 2003 Telecommunications Fund is recorded at the lower of cost or net realizable value.

(i) Inventories, net

Inventories are stated at replacement cost, which does not exceed the net realizable value. Where necessary, provision is made for obsolete, slow moving or defective inventory.

From time to time, the Management of Personal and Nucleo decide to sell wireless handsets at prices lower than their respective replacement costs. This strategy is aimed at achieving higher market penetration by reducing customer access costs while maintaining the companies overall wireless business profitability. As this policy is the result of management s decision, promotional prices are not used to calculate the net realizable value of such inventories.

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4. Summary of significant accounting policies (continued)

(j) Other assets, net

Fixed assets held for sale are stated at cost, less accumulated depreciation at the time of transfer to the held-for-sale category. All amounts have been restated for inflation as mentioned in Note 3.c. which does not exceed the estimated realizable value of such assets. Where necessary, a provision was made for the adjustment of the restated cost at realizable value.

(k) Fixed assets, net

Fixed assets received from ENTel have been valued at their transfer price. Subsequent additions have been valued at cost less accumulated depreciation. All amounts have been restated for inflation as mentioned in Note 3.c.

As of the date of these financial statements, the Company has received the transfer of title pertaining to substantially all of the fixed assets received from ENTel, other than 14.7% of the total transferred buildings, representing $9 of net carrying value as of September 30, 2008. Nevertheless, the Company is in complete possession of these fixed assets and operates them normally.

For fixed assets whose operating condition warrants replacement earlier than the end of the useful life assigned by the Company to its fixed asset category, the Company calculates the depreciation charge based on the adjusted remaining useful life assigned in accordance with the related asset replacement.

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of income.

The Company capitalizes interest on long-term construction projects. Interest capitalized was $16 and $18 for the nine-month periods ended September 30, 2008 and 2007, respectively.

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the related assets, based on the rates specified below:

Asset	**Estimated useful life (years)**
Buildings received from ENTel	20
Buildings	50
Tower and pole	15
Transmission equipment	10-20
Wireless network access	5-10

Switching equipment	5-8
Power equipment	7-15
External wiring	10-20
Computer equipment	3-5
Telephony equipment and instruments	5-10
Installations	3-10

As a consequence of the commercial decision of accelerating the migration from TDMA technology to GSM technology, during fiscal year 2007 Personal had accelerated depreciation of the TDMA network, expecting to be concluded by March 31, 2008. As a consequence of the claim of several customers, the canceling of the TDMA network concluded in June 2008. By means of this, the depreciation of this network amounted to $178 and $64 for the nine-month periods ended September 30, 2007 and 2008, respectively.

The Company is subject to asset retirement obligations (ARO) associated with its cell and switch site operating leases. The Company, in most cases, has the right to renew the initial lease term. Accordingly, the Company records a liability for an ARO. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. The capitalized cost is depreciated over the estimated useful life of the related asset. Subsequent to the initial measurement, an entity should recognize changes in the ARO that result from (1) the passage of time and (2) revisions made to either the timing or amount of estimated cash flows. Changes resulting from revisions in the timing or amount of estimated cash flows should be recognized as increases or decreases in the carrying amount of the ARO and the associated capitalized retirement cost. Increases in the ARO as a result of upward revisions in undiscounted cash flow estimates should be considered new obligations and initially measured using current credit-adjusted risk-free interest rates. Any decreases in the ARO as a result of downward revisions in cash flow estimates should be treated as modifications of an existing ARO, and should be measured at the historical interest rate used to measure the initial ARO.

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4. Summary of significant accounting policies (continued)

Fixed assets as a whole does not exceed the estimated realizable value (See 4.m below).

(l) Intangible assets, net

Intangible assets are stated at cost, less accumulated amortization. All amounts have been restated for inflation as mentioned in Note 3.c.

Intangible assets comprise the following:

Software obtained or developed for internal use

The Company has capitalized certain costs associated with the development of computer software for internal use. These costs are being amortized on a straight-line basis over a period ranging between 5 years and 6.5 years.

Debt issue costs

Expenses incurred in connection with the issuance of debt are deferred and are being amortized under the interest method over the life of the related issuances.

PCS license

The Company adopted RT 17, Overall considerations for the preparation of financial statements , on January 1, 2002. This standard prescribes the accounting treatment for both identifiable intangibles and goodwill after initial recognition. Upon adoption of this standard, amortization of indefinite life intangibles ceased. Impairment testing of these assets is now required. The Company identified Personal s PCS licenses as indefinite life intangibles.

PCS and Band B of Paraguay licenses

Nucleo s PCS and Band B licenses were amortized under the straight-line method over 10 years through fiscal year 2007.

Rights of use

The Company purchases network capacity under agreements which grant the exclusive right to use a specified amount of capacity for a period of time. Acquisition costs are capitalized and amortized over the terms of the respective capacity agreements, generally 15 years.

Exclusivity agreements

Exclusivity agreements were entered into with certain retailers and third parties relating to the promotion of the Company s services and products. Amounts capitalized are being amortized over the life of the agreements, which range from 7 to 29 years.

Customer relationships

Acquired in the purchase of shares of Cubecorp (see Note 12), it is amortized over the terms of permanence of the customers which was estimated in 15 years.

(m) Impairment of long-lived assets

The Company periodically evaluates the carrying value of its long-lived assets and certain intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows, discounted and without interest cost, from such an asset, is less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

The devaluation of the Argentine peso and the pesification of Telecom Argentina s tariffs materially affected the Company s financial position and results of operations, and changed the rules under which the Company operated. However, as indicated in Note 2.c., Law No. 25,561 authorized the Argentine Government to renegotiate the conditions of the contracts with the privatized companies, taking into account their profitability, among other criteria.

In this regard, the Company has made certain assumptions in the determination of its estimated cash flows to evaluate a potential impairment of its long-lived assets in relation to each operating segment. In the preparation of such estimates and in connection with the fixed-line business, the Company has considered different scenarios, some of which contemplate the modification of the current level of Telecom Argentina s regulated tariffs which would enable Telecom Argentina to finance the technological renovation of its fixed-line network in the next years.

Based on the foregoing, the Company considered an impairment charge not to be necessary for its long-lived assets.

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4. Summary of significant accounting policies (continued)

(n) Capital leases

Fixed asset acquisitions financed by leases are recorded at the estimated price which would have been paid on a cash basis, with the unpaid amount discounted using the internal rate of return at the moment of the initial measurement (including the purchase price option), recorded as a liability.

At September 30, 2008 the Company holds capital leases in the amount of $10, which due dates are mainly between fiscal years 2008 and 2009. A summary by major class of fixed assets covered by capital leases at September 30, 2008 is as follows:

	Book value	Lease terms	Amortization period
Computer equipment	20	3 years	5 years
Accumulated depreciation	(6)		
Net value	**14**		

(o) Severance indemnities

Severance payments made to employees are expensed as incurred.

(p) Taxes payable

Income taxes

As per Argentinean Tax Law, the provisions for income taxes have been computed on a separate return basis (i.e., the Company does not prepare a consolidated income tax return). All income tax payments are made by the subsidiaries as required by the tax laws of the countries in which they respectively operate. The Company records income taxes using the method required by RT 17.

Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax bases. RT 17 also requires companies to record a valuation allowance for that component of net deferred tax assets which are not recoverable. The statutory income tax rate in Argentina was 35% for all periods presented.

Cash dividends received from a foreign subsidiary are computed on the statutory income tax rate. As per Argentinean Tax Law, income taxes paid abroad may be recognized as tax credits.

The statutory income tax rate in Paraguay was 10% for all periods presented. As per Paraguayan Tax Law, dividends paid are computed with an additional income tax rate of 5%. Additionally, when dividends are paid to foreign shareholders, there is an additional income tax rate of 15%, which is deducted from the amounts paid to the shareholders.

Tax on minimum presumed income

The Company is subject to a tax on minimum presumed income. This tax is supplementary to income tax. The tax is calculated by applying the effective tax rate of 1% on the tax basis of certain assets. The Company s tax liabilities will be the higher of income tax or minimum presumed income tax. However, if the tax on minimum presumed income exceeds income tax during any fiscal year, such excess may be computed as a prepayment of any income tax excess over the tax on minimum presumed income that may arise in the next ten fiscal years.

For the nine-month period ended September 30, 2008, the Company has estimated a provision for income taxes, net of part of the receivable from the tax on minimum presumed income and of payments in advance of income taxes. Accordingly, and considering that Telecom s 2008 economic-financial projections estimate an income tax payable, the receivable for the tax on minimum presumed income was included in Other current receivables .

For the nine-month period ended September 30, 2008, Personal has estimated a provision for income taxes, net of the receivable from the tax on minimum presumed income and of payments in advance of income taxes.

Turnover tax

Under Argentine tax law, the Company is subject to a tax levied on gross revenues. Rates differ depending on the jurisdiction where revenues are earned for tax purposes. Average rates were approximately 4.0% for the nine-month periods ended September 30, 2008 and 2007.

(q) Other liabilities

Pension benefits

Argentine laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed fund plans to which employees may elect to contribute. Amounts payable to such plans are accounted for on an accrual basis. The Company does not sponsor any stock option plan.

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4. Summary of significant accounting policies (continued)

Retirement liabilities shown under other liabilities represent benefits under collective bargaining agreements for employees who retire upon reaching normal retirement age, or earlier due to disability. Benefits consist of the payment of a single lump sum equal to one salary for each five years of service. There is no vested benefit obligation until the occurrence of those conditions. The collective bargaining agreements do not provide for other post-retirement benefits such as life insurance, health care, and other welfare benefits. The Company does not make plan contributions or maintain separate assets to fund the benefits at retirement. The net periodic pension costs are recognized as employees render the services necessary to earn pension benefits. Actuarial assumptions and demographic data, as applicable, were used to measure the benefit obligation as of September 30, 2008 and December 31, 2007 as required by RT 23.

Deferred revenue on sale of capacity

Under certain network capacity purchase agreements, the Company sells excess purchased capacity to other carriers. Revenues are deferred and recognized as services are provided.

Court fee

Under the out-of-court restructuring agreement (Acuerdo Preventivo Extrajudicial   or APE), the Company was subject to a court fee of 0.25% levied on the total amount finally approved as restructured by the court. The fee is paid in up to one hundred and ten monthly installments with an annual interest rate of 6% through September 2014.

(r) Exchange of debt instruments

Argentine GAAP requires that an exchange of debt instruments with substantially different terms be considered a debt extinguishment and that the old debt instrument be derecognized. Argentine GAAP clarifies that from a debtor   s perspective, an exchange of debt instruments between, or a modification of a debt instrument by, a debtor and a creditor shall be deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value and that amount should be used to determine the debt extinguishment gain or loss to be recognized. Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money. This criterion was used by Telecom Argentina to account for its respective debt restructuring in August 2005. Additional information is given in Note 8.

(s) Litigation

The Company, in the ordinary course of business, is subject to various legal proceedings. The reserve for contingencies was established considering the potential outcome of these matters and the legal counsel   s opinion.

(t) Derivatives to compensate future risks or minimized financial costs

The Company has adopted the Caption No. 2 of RT 18 issued by the FACPCE, Accounting for Derivative Instruments and Hedging Activities , which requires the recognition of all derivative financial instruments as assets and/or liabilities at their estimated fair value, whether designated in a hedging relationship or not. Changes in the fair value of effective cash flow hedges are recognized as a separate component of Shareholders equity of the balance sheet and subsequently reclassified to earnings when the hedged items affect earnings. Gains and losses from fair value hedges are recognized in earnings in the period of any changes in the fair value of the related recognized asset or liability. Derivatives not designated or qualifying as a hedging instrument or ineffective derivatives are adjusted to fair value through earnings.

Foreign currency swap contracts related to Notes

During August and September 2005, following Telecom Argentina s successful completion of its debt restructuring process, the Company entered into two foreign exchange currency swap contracts to hedge its exposure to the Euro and Japanese yen-denominated Notes fluctuations with respect to the US dollar. The principal terms and conditions of these contracts (which at the date of issuance of these consolidated financial statements have expired) are disclosed in Note 8.2.

Considering that the Company s cash flows generation is in Argentine pesos and the terms of the swap do not perfectly match the terms of the Euro and Japanese yen-denominated obligations (due to the existence of the prepaid terms described in Note 8.2), these hedges were regarded as ineffective. Therefore, the changes in the fair value of these hedges were recognized in the financial results as Loss on derivatives .

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4. Summary of significant accounting policies (continued)

Non-Deliverable Forward contracts to purchase US Dollars at fixed rate

In June 2008, Personal entered into several Non-Deliverable Forward (NDF) contracts to purchase a total amount of US$ 39.7 million between September 15, 2008 and December 15, 2009 for fixed forward prices of Argentine peso 3.0785 through 3.4450 per US dollars in order to hedge its exposure to US dollar fluctuations related to a software license service contract to be quarterly cancelled in US dollars. The critical terms of NDF contracts and service contract (amounts and maturities) are the same, allowing a perfect cash flows matching between both contracts.

In August 2008, Telecom also entered into several Non-Deliverable Forward (NDF) contracts to purchase a total amount of US$ 6.2 million between October 3, 2008 and September 4, 2009 for fixed forward prices of Argentine peso 3.045 through 3.30 per US dollars in order to hedge its exposure to US dollar fluctuations related to a software and hardware service contract to be monthly cancelled in US dollars.

The critical terms of NDF contracts and service contracts (amounts and maturities) are the same, allowing a perfect cash flows matching between both contracts.

Considering the management objective and strategy to reduce its exposure to US dollar fluctuations and denominate its obligations in Argentine peso, currency in which the Company mainly generates its cash flow, the Company designated these NDF contracts as effective cash flow hedges of software license service contract (an unrecognized firm commitment). Changes in the fair value of cash flow hedges were recognized as a separate component of Shareholders equity of the balance sheet, which subsequently will be reclassified to earnings when the hedged item affects earnings. As of September 30, 2008, the fair value of these derivative instruments was a receivable of $1.

These instruments were negotiated with institutions and corporations with significant financial capacity; therefore, the Company considered that the risk of non-compliance with the obligations agreed to by such counterparties to be minimal.

The Company does not enter into derivative contracts for speculative purposes.

(u) Vacation expenses

Vacation expenses are fully accrued in the period the employee renders services to earn such vacation.

(v) Advertising costs

Advertising costs are expensed as incurred. Advertising costs for the nine-month periods ended September 30, 2008 and 2007 are shown in Note 15.h. under the line item Advertising .

(w) Results from discontinued operations

Under Argentine GAAP, the sale of the former subsidiary Publicom, approved by the Company s Board of Directors in March 2007, shall be accounted for as Discontinued operation in accordance with the guidelines of RT 9, that considers that an entity s component is discontinued if: i) it has been sold at the date of issuance of the financial statements; ii) it constitutes a separate line of business and iii) it is identified either as operating purposes or financial reporting purposes.

By this means, the Company has consolidated Publicom as of the disposal date identifying the results of operations in a separate line Income from discontinued operations of the consolidated statements of income.

A summary of the results of operations of Publicom, net of intercompany transactions, which were included in this separate line, is as follows:

Income from the operations	
Net sales	3
Salaries and social security	(2)
Advertising	(1)
Others	(1)
Operating loss before depreciation and amortization	(1)
Financial results, net	1
Net income before income tax	
Income tax benefit	1
Net income from the operations	1

Income from assets disposal	
Net income from the sale of the shares	182
Equity value at March 31, 2007	(15)
Assignment of Publicom s dividends receivable at March 31, 2007	(3)
Net income before income tax	164
Income tax expense	(63)
Net income from assets disposal	101

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5. Breakdown of the main accounts

(a) Cash and banks

Cash and banks consist of the following:

	As of September 30, 2008	As of December 31, 2007
Cash	$ 7	$ 7
Banks	17	38
	$ 24	**$ 45**

(b) Investments

Investments consist of the following:

	As of September 30, 2008	As of December 31, 2007
Current		
Time deposits	$ 1,074	$ 848
Mutual funds	27	99
	$ 1,101	**$ 947**
Non current		
Related parties (Note 7)	$ 5	$ 1
2003 Telecommunications Fund	1	1
	$ 6	**$ 2**

(c) Accounts receivable

Accounts receivable consist of the following:

	As of September 30, 2008	As of December 31, 2007
Current		
Voice, data and Internet	$ 508	$ 478
Wireless (i)	538	539
Wireless related parties (Note 7)	5	7
Subtotal	**1,051**	**1,024**
Allowance for doubtful accounts (Note 15.e)	(135)	(126)
	$ 916	**$ 898**

(i) Includes $21 as of September 30, 2008 and $25 as of December 31, 2007 corresponding to Nucleo s receivables.

(d) Other receivables

Other receivables consist of the following:

	As of September 30, 2008	As of December 31, 2007
Current		
Derivatives	$ 142	$ 212
Tax credits	77	35
Prepaid expenses	54	42
Credit on minimum presumed income tax (i)	51	
SU credits (Note 2.d.2)	29	9
Credit on SC Resolution No. 41/07 and IDC (Note 2.g and i)	11	12
Restricted funds	8	9
Other	41	36
Subtotal	**413**	**355**
Regulatory contingencies (Notes 2.g and i and 16.e)	(11)	(12)
Allowance for doubtful accounts (Note 16.e)	(12)	(11)
	$ 390	**$ 332**
Non current		
Credit on SC Resolution No. 41/07 and IDC (Note 2.h and k)	$ 96	$ 77
Prepaid expenses	19	15
Other tax credits	16	13
Restricted funds	15	14
Credit on minimum presumed income tax (i)	4	227
Other	11	13
Subtotal	**161**	**359**
Regulatory contingencies (Notes 2.g and i and 16.e)	(74)	(64)
Allowance for doubtful accounts (Note 16.e)	(16)	(13)
	$ 71	**$ 282**

(i) Considering the current expiration period (10 years), the Company considers the ultimate realization of the credit to be more likely than not based on current projections.

(e) Inventories

Inventories consist of the following:

	As of September 30, 2008	As of December 31, 2007
Wireless handsets and equipment (Note 15.f)	$ 263	$ 175
Allowance for obsolescence (Note 15.e)	(19)	(18)
	$ 244	**$ 157**

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5. Breakdown of the main accounts (continued)

(f) Other assets

Other assets consist of the following:

	As of September 30, 2008	As of December 31, 2007
Current		
Fixed assets held for sale	$ 8	$ 5
Allowance for other assets (Note 15.e)	(1)	
	$ 7	**$ 5**
Non current		
Fixed assets held for sale	$ 5	$ 9
Allowance for other assets (Note 15.e)	(3)	(4)
	$ 2	**$ 5**

(g) Fixed assets

Fixed assets consist of the following:

	As of September 30, 2008	As of December 31, 2007
Non current		
Net carrying value (Note 15.a)	$ 6,132	$ 5,758
Write-off of materials	(14)	(20)
	$ 6,118	**$ 5,738**

(h) Accounts payable

Accounts payable consist of the following:

	As of September 30, 2008		As of December 31, 2007	
Current				
Fixed assets suppliers	$	629	$	563
Inventories suppliers		244		202
Other assets and services suppliers		595		679
Subtotal		**1,468**		**1,444**
Deferred revenues		112		103
Related parties (Note 7)		53		53
Agent commissions		29		34
SU reimbursement (Note 2.d.2)		6		6
	$	**1,668**	**$**	**1,640**
Non current				
Fixed assets suppliers Related parties (Note 7)	**$**	**25**	**$**	

(i) Salaries and social security payable

Salaries and social security payable consist of the following:

	As of September 30, 2008		As of December 31, 2007	
Current				
Vacation, bonuses and social security payable	$	174	$	145
Termination benefits		23		19
	$	**197**	**$**	**164**
Non current				
Termination benefits	$	54	$	43

(j) Taxes payable

Taxes payable consist of the following:

	As of September 30, 2008		As of December 31, 2007	
Current				
Income tax, net (i)	$	287	$	1
Tax on SU (Note 2.d.2)		117		97
Turnover tax		50		43
VAT, net		46		55
Internal taxes		22		19
Regulatory fees		14		11
Tax on minimum presumed income, net				15
Other		33		25
	$	**569**	**$**	**266**

Non current				
Deferred tax liabilities	$	230	$	289

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5. Breakdown of the main accounts (continued)

(k) Other liabilities

Other liabilities consist of the following:

	As of September 30, 2008	As of December 31, 2007
Current		
Guarantees received	$ 10	$ 7
Deferred revenue on sale of capacity and related services	8	7
Court fee	3	3
Contingencies payable		20
Other	15	13
	$ 36	**$ 50**
Non current		
Deferred revenue on sale of capacity and related services	$ 65	$ 60
Asset retirement obligations	27	26
Court fee	11	12
Retirement benefits	9	18
Other	6	4
	$ 118	**$ 120**

(l) Net sales

Net sales consist of the following:

	Nine-month periods ended September 30, 2008	2007
Voice	$ 2,002	$ 1,910
Data	522	384
Internet	159	126

Voice, data and Internet	**2,683**	**2,420**
Prepaid and post-paid	1,703	1,427
Roaming, TLRD and CPP	1,217	1,028
Value added services	1,257	873
Sale of handsets	523	401
Other	80	70
Wireless in Argentina	**4,780**	**3,799**
Prepaid and post-paid	229	210
Roaming, TLRD and CPP	67	73
Value added services	6	3
Sale of handsets	6	4
Internet	10	1
Other	8	5
Wireless in Paraguay	**326**	**296**
Total net sales	**$ 7,789**	**$ 6,515**

(m) Financial results, net

Financial results, net consist of the following:

	Nine-month periods ended September 30, 2008	2007
Generated by assets		
Interest income	$ 68	$ 70
Related parties (Note 7)		1
Foreign currency exchange gain (loss)	(1)	23
Holding losses on inventories	(30)	(46)
Other	2	1
Total generated by assets	**$ 39**	**$ 49**
Generated by liabilities		
Interest expense	$ (151)	$ (228)
Less capitalized interest on fixed assets	16	18
Loss on discounting of debt	(45)	(12)
Foreign currency exchange gain (loss)	37	(252)
Gain (loss) on derivatives	(10)	102
Other	2	
Total generated by liabilities	**$ (151)**	**$ (372)**
	$ (112)	**$ (323)**

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5. Breakdown of the main accounts (continued)

(n) Other expenses, net

Other expenses, net consist of the following:

	Nine-month periods ended September 30,	
	2008	**2007**
Provision for contingencies (Note 16.e)	$ (65)	$ (48)
Severance payments and termination benefits	(59)	(55)
Provision for regulatory contingencies (Note 16.e)	(9)	
Allowance for doubtful accounts and other assets (Note 16.e)	(5)	(2)
Allowance for obsolescence of inventories (Note 16.e)	(8)	(3)
Write-off of materials	(1)	1
Gain on sale of fixed assets and other assets	3	8
Offset determined by Resolution No. 41/07		21
Other, net	3	2
	$ (141)	**$ (76)**

6. Supplementary cash flow information

The statement of cash flows has been prepared using the indirect method.

The following table reconciles the balances included as cash and banks and current investments in the balance sheet to the total amounts of cash and cash equivalents at the beginning and end of the years shown in the statements of cash flows:

	As of September 30,		As of December 31,	
	2008	**2007**	**2007**	**2006**
Cash and banks	$ 24	$ 18	$ 45	$ 30
Current investments	1,101	1,193	947	631
Total as per balance sheet	**$ 1,125**	**$ 1,211**	**$ 992**	**$ 661**
Less:				
Items not considered cash and cash equivalents				
Time deposits with maturities of more than three months	(98)	(39)	(534)	

Related parties		(1)		
Total cash and cash equivalents as shown in the statement of cash flows	**$ 1,027**	**$ 1,171**	**$ 458**	**$ 661**

The financial and holding results included in the total cash flows provided by operating activities are as follows:

	Nine-month periods ended September 30, 2008	2007
Foreign currency exchange gain on cash and cash equivalents	$ (4)	$ 18
Interest income generated by current investments	35	41
Interest income generated by accounts receivable	33	30
Gain (loss) on swap settlement	65	(2)
Subtotal	**129**	**87**
Other cash flows provided by operating activities	2,215	1,959
Total cash flows provided by operating activities	**$ 2,344**	**$ 2,046**

Income taxes eliminated from operating activities components:

	Nine-month periods ended September 30, 2008	2007
Reversal of income tax included in the statement of income	$ 446	$ 275
Income taxes paid	(4)	(7)
Total income taxes eliminated from operating activities	**$ 442**	**$ 268**

Changes in assets/liabilities components:

	Nine-month periods ended September 30, 2008	2007
Net (increase) decrease in assets		
Investments not considered as cash or cash equivalents	$	$ (2)
Trade accounts receivable	(63)	(127)
Other receivables	(171)	10
Inventories	(127)	(100)
	$ (361)	**$ (219)**
Net (decrease) increase in liabilities		
Accounts payable	$ (6)	$ (131)
Salaries and social benefits payable	42	33
Taxes payable	3	(4)
Other liabilities	(21)	10
Contingencies	(32)	(41)
	$ (14)	**$ (133)**

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6. Supplementary cash flow information (continued)

Interest paid during the nine-month periods ended September 30, 2008 and 2007, amounted to $113 and $165, respectively.

Main non-cash operating transactions:

	Nine-month periods ended September 30, 2008	2007
Provision for minimum presumed income tax	$	$ 27
Derivatives	67	104
Credit on minimum presumed income tax offset with income taxes	222	68
Credit on income tax from cash dividends paid by foreign companies	12	8
Foreign currency translation adjustments in assets	101	16
Foreign currency translation adjustments in liabilities	34	8

Most significant investing activities:
Fixed assets acquisitions include:

	Nine-month periods ended September 30, 2008	2007
Acquisition of fixed assets (Note 16.a)	$ (1,190)	$ (958)
Plus:		
Cancellation of accounts payable used in prior years acquisitions	(535)	(417)
Less:		
Acquisition of fixed assets through incurrence of accounts payable	552	492
Capitalized interest on fixed assets	16	18
Wireless handsets lent to customers at no cost (i)	3	3
	$ (1,154)	**$ (862)**

(i) Under certain circumstances, the Company lends handsets to customers at no cost pursuant to term agreements. Handsets remain the property of the Company and customers are generally obligated to return them at the end of the respective agreements.

Intangible assets acquisitions include:

	Nine-month periods ended September 30, 2008	2007
Acquisition of intangible assets (Note 16.b)	$ (40)	$ (23)
Plus:		
Cancellation of accounts payable used in prior years acquisitions	(5)	(14)
Less:		
Acquisition of intangible assets through incurrence of accounts payable	35	15
	$ (10)	**$ (22)**

Equity investee acquisitions include:

	Nine-month periods ended September 30, 2008	2007
Cash paid for the acquisition of the shares of Cubecorp	$ (98)	$
Cash and cash equivalents included in the acquisition of Cubecorp	1	
	$ (97)	**$**

The following table presents the cash flows from purchases, sales and maturities of securities which were not considered cash equivalents in the statement of cash flows:

	Nine-month periods ended September 30, 2008	2007
Time deposits with maturities of more than three months	$ 436	$ (38)
Loan to Nortel	(4)	
	$ 432	**$ (38)**

Financing activities components:

	Nine-month periods ended September 30, 2008	2007
Debt proceeds	$ 102	$ 40
Payment of Notes	(844)	(455)
Payment of bank loans	(73)	(198)
Payment of interest on Notes	(110)	(141)
Payment of interest on bank loans	(3)	(24)
Cash dividend paid	(29)	(28)
Total financing activities components	**$ (957)**	**$ (806)**

In April 2008, Nucleo paid cash dividends amounting to $63, corresponding $29 to the minority shareholders. In May 2007, Nucleo had paid cash dividends amounting to $64, corresponding $28 to the minority shareholders.

TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Notes to the Unaudited Consolidated Financial Statements

(In millions of Argentine pesos, except as otherwise indicated See Note 3.c)

7 Related party transactions

(a) Controlling group

As of September 30, 2008, Nortel is the controlling shareholder of Telecom Argentina. Nortel owns all of the outstanding Class A shares and 36,832,408 Class B shares of Telecom Argentina, representing 54.74% of the total common stock of Telecom Argentina. Nortel s ordinary shares were owned equally by the Telecom Italia Group and the France Telecom Group prior to December 2003.

On December 19, 2003, the Telecom Italia Group and the France Telecom Group contributed their respective interests in Nortel to a newly created company, Sofora Telecomunicaciones S.A. (Sofora) in exchange for shares of Sofora. At that time, the Telecom Italia Group and the France Telecom Group had the same shareholding interests in Sofora. Following the approval obtained from the regulatory authorities, the France Telecom Group sold its 48% interest in Sofora plus a put option for the remaining 2% to W de Argentina Inversiones S.L. for a total purchase price of US$125 million. The put option could be exercisable from January 31, 2008 through December 31, 2013.

As of September 30, 2008, the shareholders of Sofora are the Telecom Italia Group representing 50%, W de Argentina Inversiones S.L. representing 48% and the France Telecom Group representing 2% of Sofora s capital stock.

Telecom Argentina has been informed by W de Argentina Inversiones S.L. that it exercised its 2% option on February 1, 2008. Additionally, Sofora has notified Telecom Argentina that: (i) on February 12, 2008, Sofora received from France Câbles et Radio and from Atlas Services Belgium a letter notifying Sofora of such companies transfer of the 2% interest in Sofora, and requesting that such transfer be registered in favor of W de Argentina Inversiones S.L.; (ii) Sofora replied to the letter sent by France Câbles et Radio and Atlas Services Belgium by requesting a copy of the prior authorization from the SC to said transfer of shares, arguing that a prior authorization of the SC was necessary in accordance to rules and regulations in effect. To this date, Sofora has not received any answer, and neither the buyers nor the sellers have submitted any proof of such authorization; (iii) with the goal of protecting the interests of Sofora, its controlled companies and their respective shareholders, a petition was submitted to the SC requesting it to determine if, in accordance to rules and regulations in effect, the parties participating in said transaction had to request the prior authorization of the relevant authorities; (iv) this request to the SC was submitted as well to enable Sofora to determine what to do with respect to the registration of the transfer requested by the interested parties; (v) as soon as the SC decides upon this matter, Sofora will take the steps necessary to comply with such decision. Likewise, W de Argentina Inversiones S.L. has submitted a note to Sofora stating that it is their position that prior authorization by the SC was not necessary and requesting to immediately register such interest transfer. Additionally, W de Argentina Inversiones has informed Sofora that they have brought legal actions accordingly.

Additionally, the Telecom Italia Group has also acquired for an aggregate purchase price of US$60 million two call options on W de Argentina Inversiones S.L. entire interest in Sofora, one for the purchase of 48% of Sofora s share capital, which can be exercised within 15 business days after December 31, 2008, and an additional call option on 2% of Sofora s share capital, which can be exercised between December 31, 2008 and December 31, 2013. At the time these call options were granted, the Argentine Antitrust Commission resolved and notified Telecom Italia International N.V. and W de Argentina Inversiones S.L. that in the event the options granted under the Call Option Agreement executed on September 9, 2003, were to be exercised, such exercise will need to be notified in accordance with Sections 6 and 8 of Law No. 25,156. . The eventual exercise of these options by Telecom Italia and Telecom Italia International N.V. is subject to the prior approval of the SC (according to SC Note No. 1004/08).

Telecom Argentina has been informed that on June 13, 2008, W de Argentina Inversiones S.L. brought a complaint against Telecom Italia International N.V., before the National Court of First Instance N° 8, Secretariat N° 15 of the City of Buenos Aires, with the purpose of obtaining a decree of nullity on the Call Option which Telecom Italia International N.V. acquired in the year 2003 over the total amount of the capital share which W de Argentina Inversiones S.L. owns in Sofora, indirect controlling company of Telecom Argentina. Within the scope of said proceedings, the intervening judge ordered the entry of the complaint in Sofora s registry of shareholders, under the terms of section 229 of the National Civil and Commercial Code of Procedure.

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7 Related party transactions (continued)

In connection with these transactions, a Shareholders Agreement between W de Argentina Inversiones S.L., Telecom Italia S.p.A. and Telecom Italia International N.V. for the joint management of Sofora, Nortel and Telecom was executed. Telecom Italia is the operator of Telecom Argentina.

(b) Related parties

Related parties are those legal entities or individuals which are related to the indirect shareholders of the Company.

(c) Changes in the equity stocks of the indirect shareholders of Telecom Argentina

In April 2007, Pirelli & C. S.p.A., Sintonia S.p.A. and Sintonia S.A. issued a joint statement regarding their agreement to transfer their respective shareholdings in Olimpia S.p.A. (which, as of that date, held 18% of Telecom Italia s capital stock), to a joint company named Telco S.p.A. made up of Assicurazioni Generali S.p.A., Intesa San Paolo S.p.A., Mediobanca S.p.A., Sintonia S.A. and Telefonica, S.A. (from Spain), which currently own approximately 24.5% of Telecom Italia s voting shares (the Transaction).

Because Telefonica, a subsidiary of Telefonica, S.A. (from Spain), is the main competitor of Telecom Argentina, before the Transaction closed Telecom Argentina s directors and members of the Supervisory Committee analyzed the possible implications that the Transaction could have for Telecom Argentina, especially under the Antitrust Act (Ley de Defensa de la Competencia), resulting in the existence of divided opinions within the Board of Directors based on reports prepared by experts.

The Board resolved that, since the Transaction involved the acquisition of an indirect minority shareholding which did not imply a direct modification of control over Telecom Argentina, the Transaction did not fall within the scope of Section 8 of the Antitrust Act and thus did not have to be notified to the Argentine Antitrust Commission; additionally, even if this acquisition of a minority shareholding were deemed to imply a modification of control (at least from a conceptual perspective), the fact that Telefonica, S.A. (from Spain) committed not to intervene in any way whatsoever in the management of Telecom Argentina, ensures that these two companies will be managed independently, and therefore there is no contravention of Section 7 of the Antitrust Act.

The resolution adopted by the Board was communicated to the Regulatory Authorities and subsequent notes were also submitted to the Regulatory Authorities both by Telecom Argentina and by directors and alternate directors of Telecom Argentina, expressing their personal conclusions regarding the Transaction. These notes are available at the CNV website (**www.cnv.gov.ar**).

Among those notes expressing personal opinions, the notes submitted by Mr. Gerardo Werthein, Mr. Esteban Macek and Mr. Julio Naveyra express the concern that the Transaction may result in a modification of the control structure of Telecom Argentina and that, to the extent said modification in the control structure could have an impact on the decision-making in Telecom Argentina, the Transaction should have been notified to the Argentine Antitrust Commission for its review.

One of the directors submitting this opinion also expresses the concern that Telefonica, S.A. (from Spain) will exert substantial indirect influence on Telecom Argentina, and that such influence may additionally imply a violation of telecommunications regulations in effect.

The Argentine Antitrust Commission opened an administrative proceeding recorded as Telefonica de España, Olimpia y Otros s/Diligencia Preliminar (DP No. 29), with the purpose of determining whether the Transaction could have an adverse effect on competition in Argentina s telecommunications market in light of the existing regulatory framework, and the Chairman and Vice Chairman of Telecom Argentina were called upon to testify. In connection with this administrative proceeding, on October 16, 2007, the Argentine Antitrust Commission issued Resolution No. 78/07, approving the implementation by the Argentine Antitrust Commission of a mechanism of verification, control and monitoring over Telecom Argentina for a period of two months, and appointing two Supervisors-Observers, one of them acting on behalf of the Argentine Antitrust Commission and the other on behalf of the CNC, who were requested to act on behalf of public interests in the market, competition and users and consumers. .

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TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

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(In millions of Argentine pesos, except as otherwise indicated See Note 3.c)

7 Related party transactions (continued)

This two-month period was later extended two more months (until February 19, 2008). In performing their duties, the Supervisors-Observers requested information and documentation from Telecom Argentina, attended meetings of the decision-making boards (the Board of Directors and the Management Council), and interviewed on several occasions the members of the Board of Directors, members of the Supervisory Committee and members of the Management of Telecom Argentina. They have at all times received assistance from Telecom Argentina. As of the date of issuance of these consolidated financial statements, Telecom has no formal knowledge of the content of any report prepared or filed by these Supervisors-Observers as requested by Resolution No. 78/07.

On October 25, 2007, Telefonica, S.A. (from Spain) made the following public statement: Telefonica, S.A., Assicurazioni Generali S.p.A, Intesa San Paolo S.p.A, Mediobanca S.p.A and Sintonia S.A. (Benetton) have bought today, October 25, 2007, Olimpia S.p.A. s entire stock through the Italian company Telco S.p.A., which holds approximately 23.6% of Telecom Italia S.p.A. s voting shares . As a consequence of additional share acquisitions in March 2008, Telco S.p.A. currently owns approximately 24.5% of Telecom Italia S.p.A. s voting shares.

On November 8, 2007, Telecom Argentina s Board of Directors adopted the following resolutions:

1. A note was submitted to the Argentine Antitrust Commission (in Administrative File DP No. 29), declaring that Telecom Argentina had not taken part in the Transaction whatsoever. Additionally, and specifically since 46% of Telecom Argentina s capital stock is listed on the BCBA and the NYSE, a request was submitted to the Argentine Antitrust Commission that any measure taken by the Regulatory Authorities with respect to the Transaction should not affect Telecom Argentina, as it was not a party to it. A copy of this note was submitted to the SC and the CNC.

2. Notes were submitted to the SC and the CNC to the same effect. Copies of these notes were submitted to the Argentine Antitrust Commission.

3. Telefonica, S.A. (from Spain) and Telefonica were notified to the effect that, if as a result of the Transaction, Telecom Argentina were to suffer any damage or loss of any nature, Telecom Argentina reserves the right to bring any and all legal actions that are deemed appropriate to obtain full and complete compensation for its losses.

All the abovementioned notes were submitted on November 20, 2007.

On December 7, 2007, in response to these resolutions, Telefonica, S.A. (from Spain) has insisted that to the extent it has no participation whatsoever in Telecom Argentina s Management, it could hardly cause Telecom Argentina any damage, either directly or indirectly, as it had previously declared before the relevant authorities.

On February 11, 2008, Telecom Argentina, Personal, Nortel and Sofora were notified that, in the course of a legal proceeding initiated by W de Argentina Inversiones S.L. and Messrs. Adrián, Gerardo, Daniel and Darío Werthein, Commercial Court N° 16 Secretariat No. 32 had appointed an Observer that shall have monitoring authority over Telecom Argentina, Personal, Nortel and Sofora for a period of two months (until April 11, 2008).

The Observer was in charge of reporting relevant information to the Court so that it can evaluate whether, as a result of Telefonica, S.A. (from Spain) s participation in Telco S.p.A., there is a real risk of possible conflicts of interest in the decision-making of these companies.

Telecom Argentina and other companies involved appealed the adoption of this provisional remedy.

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7 Related party transactions (continued)

Provisional remedies requested by W de Argentina Inversiones S.L. and Messrs. Adrián, Gerardo, Daniel and Darío Werthein were rejected by the Court in their entirety and neither of them has appealed such decision. The plaintiffs had requested the Court to order urgent provisional remedies, which was rejected because the granting of said remedies would imply in certain cases prohibition against voting in meetings, separation of members of regular organs of their functions a substantial modification in the corporate intention, altering the present system of majorities and minorities; similarly, said remedies could alter the management organ, as the co-plaintiffs could, through said remedies, change the minority they have at present and, as a consequence, their opinions would prevail in the decisions to be adopted, not only against legal certainty, but also against the economy of the respective agreements unrestrictedly entered into(cciv. 1197), since no claims were brought against flaws or defects about intention. Furthermore, if the Court directly ordered the requested remedies, said order could in fact imply the setting of a new majority with an access to control that not even Telecom Italia S.p.A. has to at present, which new majority is also formed by the co-plaintiffs, who would benefit from a decision which by all means will exceed the plaintiffs interests; in such case, they did not explain how the abovementioned possible consequence would be avoided, even when they seem to have noticed said possible consequence, as they also required the appointment of an Observer to inform about the actions of said directors authorized to act . The judge, however, within his discretion, chose to authorize the provisional remedy described above (the appointing of the Observer).

On May 14, 2008, the Observer delivered the final report (related to the original appointment) to the Court where, among other aspects, he informed he had not found any signs of Telefonica, S.A. (from Spain) s influence in corporate businesses. On June 3, 2008, Telecom Argentina filed its comments on the report.

The Observer s period was extended by the Court and it finally ended on September 19, 2008.

The plaintiff asked the Court to extend the performance of the Observer for a new period, but the Court denied said requirement, as it was considered unnecessary because the documentation to be analyzed by the expert is already in the files. The plaintiff appealed said resolution but then voluntarily dismissed said appeal reserving the right to request the extension of the Observer s period for a later opportunity.

In September 2008, the Observer delivered the final report (related to the extension of the appointment) to the Court and Telecom Argentina filed its comments on the report.

On August 13, 2008, Telecom Argentina was notified about the complaint that was brought: Werthein, Gerardo y Otros c/ Telecom Italia S.p.A y Otros s/ ordinario , within which scope the provisional remedy was authorized consisting, as abovementioned, of the appointment of the Observer. Such provisional remedy is a declaratory action of certainty by which the plaintiffs say that, as long as Telefonica S.A. continues to hold the same amount of stocks from Telecom Italia Group: a) Telecom Italia S.p.A. and its controlled Telecom Italia International N.V. have an interest opposed to the corporate interest of Sofora, Nortel, Telecom Argentina and Personal (all of them jointly Telecom Group companies), the plaintiffs request the Court to make a decision about said shareholders, disallowing them to take part, discuss matters and vote in meetings held by Telecom Group companies; and b) those directors appointed in Telecom Group companies following Telecom Italia S.p.A. s petition, have an interest opposed to the corporate interest of the abovementioned Group, reason by which the plaintiffs request the Court to issue a decision by which said directors are disallowed to discuss matters and vote in the meetings held by the Board. Telecom Argentina answered in due time and proper form requesting that said action should be rejected in consonance with the grounds of fact and grounds of law expressed in its answer to the complaint. At the date of issuance of these financial statements, the decision of the Court on the underlying question of law is still pending.

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7 Related party transactions (continued)

On July 24, 2008, Sofora forwarded to Telecom Argentina a note and the copy of a letter sent by the Chairman of Telecom Italia S.p.A., where it is informed that the only two directors appointed at present pursuant to the proposal of Telefonica, S.A. (from Spain) over fifteen directors through Telco S.p.A., for Telecom Italia s Board (Mr. César Alierta Izuel and Mr. Julio Linares López) have formally confirmed their obligation of not taking part or voting in those meetings of the Board where proposals or matters related to the activities of Telecom Italia and its controlled companies in the telecommunications market in Argentina, as well as in the same market in Brazil are to be analyzed. Besides, as regards the participation of Mr. Julio Linares López in the Management Committee of Telecom Italia S.p.A., he has also formally confirmed his obligation of not taking part or voting in those meetings of the Management Committee about the abovementioned proposals or matters.

In his letter, the President of Telecom Italia S.p.A. has also explained that the mentioned obligations were officially expressed at the meeting held by the Board of Directors of Telecom Italia S.p.A. on April 15, 2008, when the content and scope of said obligations were officially recorded. In view of which, Directors (*Consiglieri*) Mr. César Alierta Izuel and Mr. Julio Linares López are prevented from taking part and/or voting in the meetings held by the Board of Directors of Telecom Italia, when the abovementioned matters are to be analyzed, as well as of having access to the information relative to the Telecom Group and the rest of the activities of Telecom Italia S.p.A in Argentina. The mentioned prohibitions constitute a farther guarantee of the complete operational and management separation that exists between the Telefonica Group and the Telecom Italia Group in Argentina .

On July 2, 2008, the SC informed Telecom Italia S.p.A. and Telecom Italia International N.V. (by means of SC Note No. 1004/08) about the previous authorization they need to request the SC in order to buy or transfer shares as Sofora s shareholders and, through said company, in Nortel, Telecom Argentina and Personal.

(d) Annulment actions against the Annual Shareholders Meeting and the Board of Directors of Telecom Argentina s decisions

At the Annual Shareholders Meeting held on April 29, 2008, and the Board of Directors meeting held on the same date, the appointment of directors, members of the Supervisory Committee, external auditors and members of the Audit Committee was approved, who shall perform their duties during the 20th fiscal year. The December 31, 2007 financial statements were also approved, and the unappropriated retained deficit of $708 was carried forward to a new account.

At said Meeting, Telecom Argentina s shareholders decided, with the vote of the majority of Nortel that Mr. Gerardo Werthein s performance as Regular Director during fiscal year 2007 was not to be approved. Mr. Werthein brought a claim before the courts requesting the annulment of the abovementioned decision of the Meeting. On September 5, 2008, Telecom Argentina was notified of this claim and answered the complaint brought in due time and proper form requesting the same to be completely rejected.

On October 16, 2008, Telecom Argentina was notified of a pre-trial conference in the case Werthein, Gerardo c/Telecom Argentina S.A. s/Nulidad de Resoluciones de Directorio , that was set on calendar for October 22, 2008. By the right granted to Telecom Argentina by section 3 of Decree No. 91/98 ruling Law No. 24,573, Telecom Argentina appointed a different mediator other than those proposed by the plaintiff. The appointed mediator set a new date for the pre-trial conference, carried out November 3, 2008. At said pre-trial conference, it was determined that the purpose of the plaintiff s claim is the challenge of certain decisions adopted in Telecom Argentina Board s meetings held on August 5 and September 10, 2008. It was also decided a new audience to be set on calendar for November 19, 2008.

(e) Balances and transactions with related parties

The Company has transactions in the normal course of business with certain related parties. For the periods presented, the Company has not conducted any transactions with executive officers and/or persons related to them. Those balances and transactions are less than $1; therefore they are not shown due to rounding.

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7 Related party transactions (continued)

The following is a summary of the balances and transactions with related parties as of September 30, 2008 and December 31, 2007 and for the nine-month periods ended September 30, 2008 and 2007:

	As of September 30, 2008	As of December 31, 2007
Accounts receivable		
TIM Celular S.A. (a)	$ 3	$ 5
Telecom Italia S.p.A. (a)	2	2
	$ 5	**$ 7**
Investments		
Nortel S.A.	$ 5	$ 1
	$ 5	**$ 1**
Current accounts payable:		
Telecom Italia Sparkle S.p.A. (a)	$ 22	$ 9
Italtel Argentina S.A. (a)	18	25
Latin American Nautilus USA Inc. (a)	3	1
Latin American Nautilus Argentina S.A. (a)	3	2
Telecom Italia S.p.A. (a)	3	12
Latin American Nautilus Ltd. (a)	2	
Etec S.A. (a)	1	1
Entel S.A. (Bolivia) (a) (d)		2
La Caja Aseguradora de Riesgos del Trabajo ART S.A. (b)	1	1
	$ 53	**$ 53**
Non-current accounts payable:		
Telecom Italia Sparkle S.p.A. (a)	$ 23	$
Latin American Nautilus USA Inc. (a)	1	
Latin American Nautilus Argentina S.A. (a)	1	
	$ 25	**$**

	Transaction description	Nine-month periods ended September 30, 2008	2007
Services rendered:			
TIM Celular S.A. (a)	Roaming	$ 10	$ 7
Telecom Italia S.p.A. (a)	Roaming	4	4
Telecom Italia Sparkle S.p.A. (a)	International inbound calls	4	4
Entel S.A. (Bolivia) (a) (d)	International inbound calls	1	2
Latin American Nautilus Argentina S.A. (a)	International inbound calls		1
Standard Bank (b) (c)	Others	4	3
Total services rendered		**$ 23**	**$ 21**
Services received:			
Telecom Italia Sparkle S.p.A. (a)	International outbound calls and data	(28)	(13)
Telecom Italia S.p.A. (a)	Fees for services and roaming	(14)	(21)
TIM Celular S.A. (a)	Roaming and Maintenance, materials and supplies	(4)	(4)
Etec S.A. (a)	International outbound calls	(3)	(3)
Italtel Argentina S.A. (a)	Maintenance, materials and supplies	(3)	(3)
Latin American Nautilus Argentina S.A. (a)	Data and lease of circuits	(2)	
Latin American Nautilus USA Inc. (a)	International outbound calls	(1)	(1)
Entel S.A. (Bolivia) (a)	International outbound calls	(1)	(4)
La Caja Aseguradora de Riesgos del Trabajo ART S.A. (b)	Salaries and social security	(7)	(6)
Caja de Seguros S.A. (b)	Insurance	(1)	(1)
La Estrella Compañía de Seguros S.A. (b)	Insurance	(1)	(1)
Total services received		**$ (65)**	**$ (57)**
Purchases of fixed assets/intangible assets:			
Italtel Argentina S.A. (a)		$ 88	$ 59
Telecom Italia Sparkle S.p.A. (a)		33	26
Latin American Nautilus Ltd. (a)		4	
Telecom Italia S.p.A. (a)		2	
Latin American Nautilus Argentina S.A.(a)		2	1
Latin American Nautilus USA Inc. (a)		1	
Total fixed assets and intangible assets		**$ 130**	**$ 86**

(a) Such companies relate to Telecom Italia Group.
(b) Such companies relate to W de Argentina - Inversiones S.L.
(c) This company is a related party as from April 2007.
(d) This entity is no longer related party at April 2008.

The transactions discussed above were made on terms no less favorable to the Company than would have been obtained from unaffiliated third parties. The Board of Directors approved transactions representing more than 1% of the total shareholders equity of the Company, after being approved by the Audit Committee in compliance with Decree No. 677/01.

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8 Debt

8.1. Short-term and long-term debt

As of September 30, 2008 and December 31, 2007, the Company s short-term and long-term debt comprises the following:

	As of September 30, 2008	As of December 31, 2007
Short-term debt:		
- Principal:		
Notes	$ 542	$ 1,372
Bank loans and others	116	69
Subtotal	658	1,441
- Accrued interest	55	30
- Derivatives		3
Total short-term debt	**$ 713**	**$ 1,474**

