CARNIVAL PLC
Form 4
April 16, 2015

FORM 4

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

OMB APPROVAL

OMB Number:	3235-0287
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KELLY ENNIS DEBRA J

(Last) (First) (Middle)

6231 PGA BLVD., SUITE 104-389

(Street)

PALM BCH GARDENS, FL 33418

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CARNIVAL PLC [CUK]

3. Date of Earliest Transaction (Month/Day/Year)
04/14/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Trust Shares (beneficial Interest In Special Voting Share) (1)	04/14/2015		A (2)		3,369 (3)	A	$ 0	10,704 (4)	D	
Restricted Stock Units (5)								3,611	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not

SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KELLY ENNIS DEBRA J 6231 PGA BLVD. SUITE 104-389 PALM BCH GARDENS, FL 33418	X			

Signatures

/s/ Debra J. Kelly-Ennis	04/16/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents trust shares (the "Trust Shares") of beneficial interests in P&O Princess Voting Trust (the "Trust"). In connection with the dual listed company transaction between Carnival plc (f/k/a P&O Princess Cruises plc) and Carnival Corporation (the "DLC Transaction"), Carnival plc issued one special voting share to the Trust and, following a series of transactions, the Trust Shares were distributed to holders of common stock of Carnival Corporation (the "Carnival Corporation Common Stock"). Since completion of the DLC Transaction on April 17, 2003, if Carnival Corporation issues Carnival Corporation Common Stock to a person, the Trust will issue an equivalent number of Trust Shares to such person. The Trust Shares are paired with shares of Carnival Corporation Common Stock and are represented by the same stock certificate. The Trust Shares represent a beneficial interest in the Carnival plc special voting share.

(2) Issued pursuant to the Carnival Corporation 2011 Stock Plan. The restriction on the shares lapses on the third anniversary of the grant date.

(3)

The Board of Directors approved a value of $160,000 to be awarded to the reporting person in the form of restricted shares. The number of shares was determined by dividing the closing price of a share of Carnival Corporation common stock on April 14, 2015 and dividing it into $160,000, then rounding down to the nearest whole share.

(4) Includes shares from a settlement of dividend equivalents accumulated during the restricted period of a restricted stock unit award originally granted in 2012, which has now vested.

(5) Represents a hypothetical interest in Carnival Corporation common stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ;page-break-after:avoid;">

Euros

1,616

-

-

7

274

274

1,061

1,520

Fixed rate

1,616

-

-

7

274

274

1,061

1,520

Average interest fixed rate

4.83

%

Japanese Yen

268

-

-

1

45

45

177

Explanation of Responses:

236

Fixed rate

268

-

-

1

45

45

177

236

Average interest fixed rate

1.93

%

Argentine Pesos

269

71

131

45

4

3

15

272

Fixed rate

180

71

87

-

4

3

15

185

Average interest fixed rate

10.63

%

Variable rate

89

-

44

45

-

-

-

87

Average interest variable rate

13.73

%

Total Group Debt (principal)

5,042

73

340

373

823

1,549

1,884

4,881

Estimated effect of expected prepayments

-

727

702

700

(823

)

(828

)

(478

)

-

Total Group Debt (principal) under expected prepayments (2)

5,042

800

1,042

1,073

-

721

1,406

4,881

Accrued interest

59

59

-

-

-

-

-

59

Derivatives

77

46

28

3

-

-

-

77

Effect on discounting Debt

(277

)

-

-

-

-

-

(277

)

-

Total Group Debt

4,901

905

1,070

1,076

-

721

1,129

5,017

---

(1) The fair value of the Company s debt as of December 31, 2005 is estimated based on quoted market prices for the same or similar instruments.

(2) Telecom Argentina s Series A and Series B notes contain mandatory prepayment requirements which require it to apply its excess cash for specified purposes, including prepayment of the notes. Total Group Debt after estimated effect of expected prepayments reflects Management s current expectations regarding the effect of this mandatory prepayment provision on its outstanding indebtedness during fiscal years 2006-2008, assuming that all excess cash generated during this period is applied to prepay the Series A and Series B notes. Management has not estimated the effect of the mandatory prepayment provision for fiscal years after 2008. Estimates set forth in this row are Management estimates based on currently available information and constitute forward looking statements. These statements are not guarantees of future performance and are based upon assumptions as to future events that may not prove to be accurate. Actual amounts of excess cash that Telecom Argentina has available for prepayments during this period may differ. See Forward Looking Statements . Management of the Company will periodically revise its estimates of future excess cash availability and will consider the effect any variations may have. The above estimates of future prepayments were made to satisfy the requirements of Argentine GAAP and do not constitute a modification of the Company s existing contractual payment commitments, nor should it be considered a decision of the Company to prepay any of its outstanding financial obligations.

(c) Sensitivity to Exchange Rates and Interest Rates

We estimate, based on composition of our balance sheet as of December 31, 2005, that every variation in the exchange rate of P$0.10 against the U.S. dollar and proportional variations for the euro and yen against the Argentine peso, plus or minus, would result in a variation of approximately P$206 million of our consolidated financial indebtedness. These analyses are based on the assumption that this variation of the Argentine peso occurred at the same time against all other currencies.

Additionally we estimate, based on the composition of our balance sheet as of December 31, 2005, that every variation in the exchange rate of P$0.10 against the U.S. dollar and proportional variations for the euro and yen against Argentine peso, plus or minus, would result in a variation of approximately P$10 million of our consolidated financial investments. These analyses are based on the assumption that this variation of the Argentine peso occurred at the same time against all other currencies.

We estimate, based on the current composition of our balance sheet as of December 31, 2005, that every variation in the interest rates of 100 basis points, plus or minus, to our current floating-rate consolidated debt would result in a variation of approximately P$3 million of interest expense on an annual basis, assuming no change in the

142

principal amount of this indebtedness. The analysis is based on the assumption that such variation of interest rates occurred at the same time for the different type of floating rates to which our actual debt is exposed.

This sensitivity analysis provides only a limited, point-in-time view of the market risk sensitivity of certain of our financial instruments. The actual impact of market foreign exchange rate and/or interest rate changes on our financial instruments may differ significantly form the impact shown in the sensitivity analysis.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

As a consequence of the continuing devaluation and volatility of the peso, lower net cash flows being generated in the current economic environment in Argentina and the uncertain timetable for resolving discussions with the Argentine Government concerning adjustment of regulated rates, on April 2, 2002, Telecom Argentina announced the suspension of principal payments on its outstanding financial indebtedness as well as the outstanding financial indebtedness of its Argentine subsidiaries and on June 24, 2002, Telecom Argentina announced the suspension of interest payments on its outstanding financial indebtedness, triggering multiple events of default.

On August 31, 2005 Telecom Argentina successfully completed the restructuring of its outstanding financial indebtedness on a stand-alone basis by issuing debt with new payment terms and by paying cash consideration and making partial cash interest payments. In connection with the restructuring, Telecom Argentina issued P$26 million (including CER adjustment), US$105 million, euro 534 million and yen 12,328 million aggregate principal amounts of Series A notes and US$999 million aggregate principal amount of Series B notes and delivered the cash consideration in the amount of US$565 as contemplated in the APE. In addition Telecom Argentina paid creditors interest payments for the period January 1, 2004 through August 31, 2005 at a total cost of P$1 million, US$181 million, euro 43 million and yen 396 million. See Operating and Financial Review and Prospects-Liquidity and Capital Resources .

Telecom Argentina s subsidiaries, Telecom Personal and Núcleo, successfully completed the restructuring of their respective debt obligations in 2004. In December, 2005, Telecom Personal concluded a refinancing of all of the debt instruments issued as a consequence of its financial restructuring process. The new debt incurred in this refinancing transaction was approximately US$381 million. None of Telecom Argentina, Telecom Personal nor Núcleo are currently in default on any outstanding indebtedness.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

During fiscal year 2005 we completed a financial restructuring in which Telecom Argentina canceled all of its outstanding indebtedness and issued new securities.

During the first quarter of fiscal year 2006, we successfully solicited bondholder consent to modify certain conditions of Telecom Argentina s Series A and Series B notes.

See Operating and Financial Review and Prospects-Liquidity and Capital Resources for more information on these modifications.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Telecom Argentina s Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2005 (the Evaluation Date), have concluded that as of the Evaluation Date, the Company s disclosure controls and procedures were effective.

Changes in internal controls

There were no changes in the Company s internal control over financial reporting that occurred during the period covered by this Form 20-F that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Beginning with the fiscal year ending December 31, 2006, Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require us to include an internal control report of management with our annual report on Form

20-F. The internal control report must contain (1) a statement of management s responsibility for establishing and maintaining adequate internal control over financial reporting, (2) a statement identifying the framework used by management to conduct the required evaluation of the effectiveness of our internal control over financial reporting, (3) management s assessment of the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year, including a statement as to whether or not our internal control over financial reporting is effective and (4) a statement that our independent auditors have issued an attestation report on management s assessment of our internal control over financial reporting.

As of the date of this Annual Report, the Company s management has completed the phases of documentation and evaluation of the design of its controls and identified certain areas where the Company s internal controls diverged from best practices. This work was performed for the two companies more significant for the Telecom Group (Telecom Argentina and Telecom Personal). The discrepancies between Telecom practices and accepted best practices have been remedied or are in the process of being remedied by management.

In the second half of 2006, the Company will complete its testing activities in order to evaluate the effectiveness of the controls designed for financial reporting.

In each of these activities, the Company s management has applied methodologies of documentation and evaluation of the internal controls that it believes are consistent with best market practices. In connection with these evaluations by management of the Company s internal controls and procedures, no items were identified that required a change in the financial statements required in this Annual Report.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Telecom Argentina s Audit Committee consists of at least one Audit Committee financial expert, Mr. Julio Pedro Naveyra, a certified public accountant and a former managing partner of PricewaterhouseCoopers (formerly Coopers & Lybrand Argentina) from October 1991 until his retirement in 2000. From 1973 until 1975, Mr. Naveyra worked in the United States for professional training purposes, where he was an audit supervisor and manager with Coopers & Lybrand Detroit. Mr. Naveyra was also a former Chairman of the CPCECABA from 1983 through 1985, and a former Chairman of the Technical Institute of Public Accountants from 1979 through 1980. Based on Mr. Naveyra s professional background and training, the Board of Directors of Telecom has determined for the years 2005 and 2006 that he meets the criteria for an Audit Committee financial expert. Mr. Naveyra is an independent director under CNV and SEC rules and under the NYSE listing standards.

ITEM 16B. CODE OF ETHICS

The Board of Directors of Telecom has approved a Code of Business Conduct and Ethics which applies to directors, members of the Supervisory Committee, officers and employees of Telecom. This Code was modified by the Board of Directors on June 21, 2005. No waivers, express or implicit, have been granted to any senior officer or member of the Board of Directors of the Company with respect to any provision of the Code. See Exhibits 11.1 and 11.2 to this Annual Report on Form 20-F.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table provides information on the aggregate fees billed by our principal accountants (in millions of pesos) for the years ended December 31, 2005 and 2004.

Services Rendered	2005	2004	Total
	(P$ millions)		
Audit Fees (1)	2.9	1.9	4.8
Audit-Related Fees	0.3	0.5	0.8
Tax Fees	0.2	0.2	0.4
All Other Fees	-	-	-
Total	3.4	2.6	6.0

(1) Includes fees related to the audit of the Consolidated Financial Statements as of December 31, 2005 and 2004, limited reviews of interim financial statements presented during 2005 and 2004, SEC filing reviews and other attestation services.

145

Explanation of Responses:

Audit Committee Pre-Approval Policies and Procedures

On March 22, 2004, Telecom Argentina s Board of Directors approved policies and procedures relating to the pre-approval of auditors services and other permitted services (collectively, Pre-Approval Procedures) for the engagement of any service provided by external auditors to Telecom Argentina and subsidiaries under Telecom Argentina s control. Telecom Argentina s Board performed Pre-Approval Procedures until April 19, 2004, after which Pre-Approval Procedures were performed by the Audit Committee. All auditors services were pre-approved in 2005.

The Pre-Approval Procedures provide for services that require:

- specific pre-approval - to be approved on a case-by-case basis; and

- general pre-approval - any category or general kind of service that come within the guidelines established to safeguard auditor independence and come within the maximum amounts set by the Audit Committee.

The Pre-Approval Procedures also provide for the following categorization of services:

Prohibited services are those services that external auditors are not allowed to provide based on prohibitions contained in the statutory rules of Argentina and the United States (*i.e.* bookkeeping; financial information system design and implementation; appraisal or valuation services, fairness opinions or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions; broker/dealer, investment adviser, or investment banking services; expert services unrelated to the audit).

Permitted Services include (a) audit services; (b) audit-related services; (c) tax services, and (d) other services. Moreover, the services included in each category were also detailed, and, were appropriate, any limits imposed on the provision thereof to ensure External Auditors independence.

The Pre-Approval Procedures also require pre-approval for the following services:

- Annual audit and quarterly reviews of Telecom s financial statements: the Audit Committee is required to approve the terms for the engagement and remuneration of such services.

- Other Audit Services : the Audit Committee is required to define the services that will be subject to general pre-approval on an annual basis, setting the annual service fee amount, or the annual amount allocated to each individual service category, or to each service, within which fee caps the provision shall receive general pre-approval.

- Audit-related Services and Tax Services : the Audit Committee is required to define the categories or types of services that will receive general pre-approval, provided that they fall within the annual fee cap set for that service, and establish the guidelines for prior engagement of these services.

- Other Permitted Services: are not subject to general pre-approval, and any other services require specific pre-approval by the Audit Committee for each service.

- Delegation: the Audit Committee may solely delegate the specific pre-approval of services with any of its members that qualify as an Independent Director . An Independent Director must immediately report to the Audit committee after engaging any service by delegation. Under no circumstances may the authority to either approve or pre-approve services be delegated to Telecom s management.

- Disclosure of overall billed fees: external auditors shall include in their audit reports the information about the relationship between the overall fees paid in respect of Audit Services and of services other than audit services. In addition, the Audit Committee shall, on a yearly basis, prepare a report to the Board which will be included in Form 20-F, providing a detailed

146

account of all fees invoiced by External Auditors to the Company and to its controlled companies, grouped into four categories, namely, audit fees, audit related fees, tax consultation fees and all other fees described in the first three bullet points above.

- Subsidiaries under Telecom Argentina s Control: the Pre-Approval Procedures also apply to the services provided by external auditors to subsidiaries under Telecom Argentina s control.

- Additional Requirements: the Audit Committee is required to adopt additional measures to fulfill its supervisory obligations related to external auditors duties, in order to ensure the independence from Telecom, such as the review of a formal written statement by the external auditors outlining all relations existing between them and Telecom, in accordance with Rule No. 1 of the Independence Standards Board, and discussions with the external auditors and the methods and procedures that have been designed to ensure their independence.

- Amendments: the Audit Committee has authority to amend the Pre-Approval Procedures, rendering an account of any such amendment to the Board of Directors during the first meeting of the Board of Directors held after making the amendments.

If Telecom s external auditors are to provide any service, the service must either be granted general pre-approval or specific pre-approval under the Pre-Approval Procedures. The Pre-Approval Procedures require the Audit Committee to consider whether the services to be provided are consistent with the legal and professional rules in effect in Argentina and the United States relating to external auditors independence. Every six months, the Audit Committee is required to report to the Board of Directors on all services provided by external auditors to Telecom Argentina and its subsidiaries.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. EQUITY SECURITIES PURCHASED BY THE COMPANY OR ANY AFFILIATED PURCHASER

Neither Telecom nor, to Telecom knowledge, any affiliated purchaser (as defined in Rule 10b-18(a)(3)) repurchased any of Telecom s Class B Ordinary Shares (including American Depositary Shares, or American Depositary Receipts evidencing such shares) during fiscal year 2005.

147

PART III

ITEM 17. FINANCIAL STATEMENTS

The Registrant has responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F-1 through F-64.

The following financial statements are filed as part of this Form 20-F:

ITEM 19. EXHIBITS

Exhibits:

1.1	*Estatutos* (bylaws) of Telecom, as amended, which include its corporate charter (incorporated by reference to Exhibit 3.1 to Telecom s registration statement on Form F-1 (No. 333-111790)).
1.2	*Estatutos* (bylaws) of Telecom, as amended, which include its corporate charter (English translation) (incorporated by reference to Exhibit 3.2 to Telecom s registration statement on Form F-1 (No. 333-111790)).
2.1	Acuerdo Preventivo Extrajudicial Agreement dated as of August 23, 2004 (incorporated by reference to Telecom s annual report on Form 20-F/A for 2004 dated June 30, 2005).
2.2	Indenture dated August 31, 2005 between Telecom Argentina S.A. as Issuer and The Bank of New York as Trustee, Registrar, Paying Agent and Transfer Agent (incorporated by reference to Telecom s report on Form 6-K dated January 27, 2006).
2.3	First Supplemental Indenture, dated as of March 27, 2006, between Telecom Argentina S.A. as Issuer and The Bank of New York as Trustee, Registrar, Paying Agent and Transfer Agent for Series A Notes due 2014 and Series B Notes due 2011 (incorporated by reference to Telecom s report on Form 6-K dated April 12, 2006).
2.4	Indenture dated December 22, 2005 between Telecom Personal S.A. as Issuer, JPMorgan Chase Bank, N.A. as Trustee, Co-Registrar, New York Paying Agent and New York Transfer Agent, JPMorgan Bank Luxembourg S.A. as Luxembourg Paying Agent and Transfer Agent, Banco Río de la Plata S.A., as Argentina Paying Agent and Transfer Agent and Registrar and JPMorgan Chase Bank N.A., Sucursal Buenos Aires, as Trustee s Representative*.
4.1	Deposit Agreement, dated November 8, 1994, as amended (incorporated by reference to Telecom s registration statement on Form F-6 (No. 333-86048)).
8.1	List of Subsidiaries.
11.1	Code of Business Conduct and Ethics of Telecom (incorporated by reference to Telecom s annual report on Form 20-F for 2004 dated June 29, 2005).
11.2	Code of Business Conduct and Ethics of Telecom (English translation) (incorporated by reference to Telecom s annual report on Form 20-F for 2004 dated June 29, 2005).
12.1	Certification of Carlos Felices of Telecom Argentina S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2	Certification of Valerio Cavallo of Telecom Argentina S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of Carlos Felices and Valerio Cavallo pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Shareholders Agreement between Telecom Italia International, N.V. and W de Argentina-Inversiones S.L., dated September 9, 2003 (incorporated by reference to Exhibit 4.3 to Nortel s Annual Report on Form 20-F for 2003).

* Pursuant to Instruction 1(b)(i) to Item 19 of Form 20-F, we undertake to furnish this document upon request of the Commission.

149

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Telecom Argentina S.A.		
By:	/s/ VALERIO CAVALLO	
	Name:	Valerio Cavallo
	Title:	Chief Financial Officer

Dated: June 30, 2006

150

TELECOM ARGENTINA S.A.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005

TELECOM ARGENTINA S.A.

Consolidated Financial Statements as of December 31, 2005 and December 31, 2004 and for the years ended December 31, 2005, 2004 and 2003

$: Argentine peso

US$: US dollar

$3.032 = US$1 as of December 31, 2005

TELECOM ARGENTINA S.A.

INDEX

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Telecom Argentina S.A.

1. We have audited the accompanying consolidated balance sheets of Telecom Argentina S.A. and its subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders equity and cash flows for the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. As indicated in Note 3.c), effective March 1, 2003, the Company has discontinued the restatement of the financial statements into constant currency, as required by a resolution issued by the *Comisión Nacional de Valores (CNV)*. Since generally accepted accounting principles in Argentina require companies to prepare price-level restated financial statements through September 30, 2003, the application of the CNV resolution represents a departure from generally accepted accounting principles in Argentina. This effect is no longer material to the consolidated financial statements of the Company as of December 31, 2005 and for the year then ended.

4. In our opinion, except for the effects on the 2004 and 2003 financial statements for not adjusting for the effects of inflation as described in the preceding paragraph, the consolidated financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of the Company and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in Argentina.

5. Accounting principles generally accepted in Argentina vary in certain significant respects from accounting principles generally accepted in the United States of America and as allowed by Item 18 to Form 20-F regarding the application of accounting for the effects of inflation. Information relating to the nature and effect of such differences is presented in Note 15 to the consolidated financial statements. The effect of not accounting for the effects of inflation through September 30, 2003 is material to the information presented for all periods.

Buenos Aires, Argentina
March 9, 2006 (except as to
Note 15 to the consolidated
financial statements, for which the
date is June 28, 2006).

PRICE WATERHOUSE & CO. S.R.L.

By /s/ Juan C. Grassi (Partner)
Juan C. Grassi

TELECOM ARGENTINA S.A.

Consolidated Balance Sheets as of December 31, 2005 and 2004

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

	As of December 31, 2005	2004
ASSETS		
Current Assets		
Cash and banks	$ 46	$ 32
Investments, net	596	3,630
Accounts receivable, net	705	612
Other receivables	86	83
Inventories, net	104	79
Other assets	5	3
Total current assets	**1,542**	**4,439**
Non-Current Assets		
Other receivables, net	269	219
Investments	2	2
Fixed assets, net	5,959	6,895
Intangible assets, net	764	773
Other assets, net	21	-
Total non-current assets	**7,015**	**7,889**
TOTAL ASSETS	**$ 8,557**	**$ 12,328**
LIABILITIES		
Current Liabilities		
Accounts payable	$ 834	$ 514
Debt	905	9,434
Salaries and social security payable	104	79
Taxes payable	222	153
Other liabilities	31	22
Contingencies	110	30
Total current liabilities	**2,206**	**10,232**
Non-Current Liabilities		
Debt	3,996	1,219
Salaries and social security payable	30	33
Taxes payable	92	5
Other liabilities	78	69
Contingencies	247	214
Total non-current liabilities	**4,443**	**1,540**
TOTAL LIABILITIES	**$ 6,649**	**$ 11,772**
Minority interest	**41**	**30**
Foreign currency translation adjustments	**31**	**24**
SHAREHOLDERS EQUITY	**$ 1,836**	**$ 502**
TOTAL LIABILITIES, MINORITY INTEREST, FOREIGN CURRENCY TRANSLATION ADJUSTMENTS AND SHAREHOLDERS EQUITY	**$ 8,557**	**$ 12,328**

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

F-1

TELECOM ARGENTINA S.A.

Consolidated Statements of Income for the years ended December 31, 2005, 2004 and 2003

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

	Years ended December 31, 2005	2004	2003
Net sales	$ 5,718	$ 4,494	$ 3,753
Cost of services	(3,704)	(2,968)	(2,643)
Gross profit	**2,014**	**1,526**	**1,110**
General and administrative expenses	(249)	(229)	(219)
Selling expenses	(1,261)	(897)	(784)
Operating income	**504**	**400**	**107**
Equity gain (loss) from related companies	7	(2)	2
Financial results, net	(306)	(1,172)	48
Other expenses, net	(165)	(78)	(168)
Gain on debt restructuring, net	1,424	209	376
Net income (loss) before income tax and minority interest	**1,464**	**(643)**	**365**
Income tax, net	(122)	(26)	7
Minority interest	(8)	3	(21)
Net income (loss)	**$ 1,334**	**$ (666)**	**$ 351**
Net income (loss) per share	**$ 1.36**	**$ (0.68)**	**$ 0.36**

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

F-2

TELECOM ARGENTINA S.A.

Consolidated Statements of Changes in Shareholders Equity
for the years ended December 31, 2005, 2004 and 2003

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

	Shareholders contributions			Unappropriated results			
	Common stock	Inflation adjustment of common stock	Total	Legal reserve	Retained earnings/ (Accumulated deficit)	Total	Total Shareholders equity
Balances as of January 1, 2003	**$ 984**	**3,044**	**4,028**	**277**	**(3,488)**	**(3,211)**	**$ 817**
Net income	-	-	-	-	351	351	351
Balances as of December 31, 2003	**$ 984**	**3,044**	**4,028**	**277**	**(3,137)**	**(2,860)**	**$ 1,168**
Net loss	-	-	-	-	(666)	(666)	(666)
Balances as of December 31, 2004	**$ 984**	**3,044**	**4,028**	**277**	**(3,803)**	**(3,526)**	**$ 502**
Net income	-	-	-	-	1,334	1,334	1,334
Balances as of December 31, 2005	**$ 984**	**3,044**	**4,028**	**277**	**(2,469)**	**(2,192)**	**$ 1,836**

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

F-3

TELECOM ARGENTINA S.A.

Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003

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

	Years ended December 31, 2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 1,334	$ (666)	$ 351
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities			
Allowance for doubtful accounts and other allowances	56	63	12
Depreciation of fixed assets	1,454	1,552	1,768
Amortization of intangible assets	44	94	109
Equity (gain) loss from related companies	(7)	2	(2)
Consumption of materials	58	54	39
Fixed assets disposal	11	4	9
Provision for commissions	86	25	1
Provision for contingencies	88	24	90
Holdings results on inventories	14	6	5
Interest and other financial results on loans	70	1,406	32
Gain on debt restructuring	(1,424)	(209)	(376)
Income tax	111	26	(7)
Minority interest	8	(3)	21
Net increase in assets	(170)	(204)	(355)
Net increase in liabilities	234	26	330
Total cash flows provided by operating activities	**1,967**	**2,200**	**2,027**
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed asset acquisitions	(548)	(461)	(162)
Intangible asset acquisitions	(33)	(12)	(6)
Proceeds for the sale of fixed assets and equity investments	13	4	3
Decrease (increase) in investments not considered as cash and cash equivalents	655	(382)	(180)
Total cash flows provided by (used in) investing activities	**87**	**(851)**	**(345)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt proceeds	1,236	-	-
Payment of debt	(4,684)	(471)	(11)
Repurchase of debt	-	-	(422)
Payment of interest and debt-related expenses	(944)	(154)	(347)
Total cash flows used in financing activities	**(4,392)**	**(625)**	**(780)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,338)**	**724**	**902**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**2,940**	**2,216**	**1,314**
CASH AND CASH EQUIVALENTS AT YEAR END	**$ 602**	**$ 2,940**	**$ 2,216**

See Note 6 for supplementary cash flow information.

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

F-4

TELECOM ARGENTINA S.A.

Index to the Notes to the Consolidated Financial Statements

(Notes 1 to 17 to the Consolidated Financial Statements are 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. (FCR , 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) 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 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.

F-6

2. Regulatory framework (continued)

(b) Licenses granted as of December 31, 2005

As of December 31, 2005, 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 December 31, 2005, 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 license to provide mobile telecommunication services in Paraguay as well as PCS services in certain areas of that country.

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.

F-7

2. Regulatory framework (continued)

(c) 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. Consumer Price Index (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, 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.

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 a special unit 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. In December 2004, the Argentine Government enacted Law No. 25,972 pursuant to which this term was extended through December 31, 2005. In January 2006, the Argentine Government enacted Law No. 26,077 pursuant to which this term was extended through December 31, 2006.

In May 2004, the Company signed a Letter of Understanding 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 conclude 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.

The Company has fulfilled its commitments; however, the Argentine Government has not made a specific offer with regard to the renegotiation of the tariffs.

F-8

2. Regulatory framework (continued)

(d) Universal Service (SU) Regulation

The SU regulation requires entities that receive revenues from telecommunications services to contribute 1% of these revenues to the SU fund. The regulation adopts a pay or play mechanism for compliance with the mandatory contribution to the SU fund. The regulation establishes 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 creates a committee responsible for the administration of the SU fund and the development of specific SU programs. However, material regulations to implement SU programs are still pending.

In Telecom

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 efforts should be made in the short term to go on with the initial programs, independently from the HPCM 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 more than five years from the beginning of the opening of the market and the coming into effect of the first regulations of the SU-and after four years from the coming into effect of its amendments-, 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 relation to the abovementioned, Telecom decided not to record in its financial statements the net receivable it shall be entitled to when the SU Fund guidelines are issued.

In Personal

Since January 2001, Personal has been recording a provision related to its obligation to make contributions to the SU Fund. As of December 31, 2005, this provision amounted to $61. Personal, as well as the other cellular providers, is currently awaiting the establishment of the SU Fund as well as the guidelines to effect the contributions.

In May 2005, the SC issued Resolution No. 99/05 which prohibits billing and collecting the SU amount. The Resolution also instructs the CNC to (i) notify service providers to reimburse to customers any SU amounts improperly charged through billing and (ii) discontinue such practice immediately.

This resolution was implemented by CNC Resolution No. 2,356/05 on July 8, 2005, which required service providers to reimburse customers the previously billed SU amounts during a 90-day period. On August 9, 2005, Personal filed an injunction against Resolution No. 2,356/05.

After the 90-day period and due to the fact that the SC had not ruled on the injunction, on October 11, 2005, Personal requested the CNC (i) to extend the reimbursement period, (ii) to issue more precise guidelines for the implementation of the resolution and (iii) to rule on the injunction.

On October 12, 2005, the SC issued Resolution No. 301/05 which:

a) rejected the claims filed by Personal and the other cellular operators.

b) nullified CNC Resolution No. 2,356/05; and

c) instructed the CNC to order cellular providers to discontinue charging SU Fund amounts to customers and demanded reimbursement.

F-9

2. Regulatory framework (continued)

On October 25, 2005, the CNC requested that Personal:

a) discontinue billing SU amounts to customers;

b) reimburse all collected SU amounts within 15 working days, plus interest (applying the same rate used for overdue invoices from customers);

c) identify the reimbursed amounts in the invoices; and

d) file within 40 working days following the period stated in b) above certain information to the regulatory authority for the verification of the reimbursements.

Personal s management, together with its legal counsels, believes that it has solid legal grounds to appeal these resolutions. However, considering the situation, management decided to reimburse the SU amounts billed to post-paid customers from January 1, 2001 through June 28, 2005, the date on which Personal ceased billing SU amounts.

Although Personal will reimburse the SU amounts as mandated by the resolutions, it will not surrender any of its rights to consider the resolutions as illegitimate and without merit. A reserve amounting to $25 has been established to cover these reimbursements.

On November 16, 2005, Personal filed a request with the CNC for the extension of the reimbursement period. Such extension was granted for 30 working days on January 25, 2006.

However, in January 2006, Personal began reimbursing its active post-paid customers all previously billed SU amounts plus interest, and is in the process of reimbursing the SU amounts billed to its former and inactive post-paid customers.

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.

On December 29, 2005 and January 26, 2006, the CNV approved, with certain amendments, Resolution CD No. 93/05 issued by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA), which establishes new accounting and disclosure standards under Argentine GAAP. These standards will be effective for the Company as from January 1, 2006. Following is a brief summary of the most significant provisions of the new accounting pronouncements which affect the Company:

Impairment of Long-lived Assets

In August 2005, the CPCECABA issued Resolution CD No. 93/05 which introduces certain amendments to the calculation of the impairment of long-lived assets. Currently, under Argentine GAAP, the Company periodically evaluates the carrying value of its long-lived assets for impairment. The carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows, undiscounted and without interest, from such asset are separately identifiable and less than its carrying value. In that event, a loss is 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. Under the new standard, the carrying value of a long-lived asset will be considered impaired when the expected discounted cash flows from such asset are less than its carrying value. The Company estimates that the adoption of this new standard will not have a material effect on the Company s financial position and results of operations.

Disclosure of Foreign Currency Translation Adjustments

In August 2005, the CPCECABA issued Resolution CD No. 93/05 which required disclosure of the adjustments resulting from foreign currency translation as a component of equity. Currently foreign currency translation adjustments are accumulated and reported as a separate line item between the liability and equity sections of the balance sheet. Foreign currency translation adjustments amount to $31 as of December 31, 2005.

F-10

3. Preparation of financial statements (continued)

(b) Basis of consolidation

These consolidated financial statements include the accounts of Telecom Argentina and its subsidiaries over which it has effective control. Investments in companies in which the Company exercises significant influence, but not control, are accounted for under the equity method.

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 December 31, 2005(i)**
Voice, data and Internet	Telecom Argentina USA	100.00%
	Micro Sistemas (ii)	99.99%
Wireless	Personal	99.99%
	Nucleo	67.50%
	Cable Insignia S.A. (Cable Insignia) (iii)	75.00%
Directories publishing	Publicom S.A. (Publicom)	99.99%

(i) Percentage of equity interest owned has been rounded.

(ii) Dormant entity at December 31, 2005.

(iii) Dormant entity. In process of liquidation.

(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 No. 25,561, *Ley de Emergencia Pública y Reforma del Régimen Cambiario* (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.

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. 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

F-11

3. Preparation of financial statements (continued)

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.

As recommended by Argentine GAAP, the following table presents a comparison between certain condensed balance sheet and income statement information for the years ended December 31, 2005, 2004 and 2003, 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 of and for the year ended December 31, 2005		
	As restated through September 30, 2003(*)	**As reported(**)**	**Effect**
	(I)	(II)	(I) - (II)
Total assets	8,466	8,557	**(91)**
Total liabilities	6,649	6,649	**-**
Shareholders equity	**1,745**	**1,836**	**(91)**
Net income	**1,353**	**1,334**	**19**

	As of and for the year ended December 31, 2004		
	As restated through September 30, 2003(*)	**As reported(**)**	**Effect**
Total assets	12,218	12,328	**(110)**
Total liabilities	11,772	11,772	**-**
Shareholders equity	392	502	**(110)**
Net (loss) income	(644)	(666)	**22**

	As of and for the year ended December 31, 2003		
	As restated through September 30, 2003(*)	**As reported(**)**	**Effect**
Total assets	12,138	12,270	**(132)**
Total liabilities	11,049	11,049	**-**
Shareholders equity	1,036	1,168	**(132)**
Net income	236	351	**(115)**

(*) As required by Argentine GAAP.

(**) As required by CNV resolution.

(d) 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.

(e) Reclassifications

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

(f) 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.

(g) Concentration of credit risk

The Company s cash equivalents 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.

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 3,625,000 (unaudited) at December 31, 2005, 3,484,000 (unaudited) at December 31, 2004, and 3,361,000 (unaudited) at December 31, 2003 and wireless customer lines excluding prepaid lines (Argentina and Paraguay combined) were 2,233,000 (unaudited) at December 31, 2005, 1,098,000 (unaudited) at December 31, 2004, and 562,000 (unaudited) at December 31, 2003.

F-12

3. Preparation of financial statements (continued)

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.

(h) Earnings per share

The Company computes net (loss) income per common share by dividing net income (loss) for the year by the 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 , as amended by CPCECABA. 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, as amended by CPCECABA, financial statements of foreign entities are translated using year-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 between the liability and equity sections of the balance sheet.

(b) Revenue recognition

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

<u>Voice, data and Internet services</u>

- 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.

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 originate on or transit their networks but terminate on the Company s network. Revenue is recognized as services are provided.

F-13

4. Summary of significant accounting policies (continued)

- 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 and Internet connectivity services, including dial-up and broadband, dedicated lines, private networks, broadcasting signal transport and videoconferencing services. 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 segment

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 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.

Directory publishing segment

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. A change in the timing of the publication of a directory could change the period in which the related revenues and expenses will be recognized.

(c) Foreign currency transaction gains/losses

Foreign currency transaction gains and losses are included in the determination of net income or loss. During the years ended December 31, 2005, 2004 and 2003, net foreign currency transaction gains or losses were a gain of $405, a loss of $460, and a gain of $624, respectively.

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 for the period as from July 29, 2003.

The net carrying value of these capitalized costs was $314 as of December 31, 2005 and $443 as of December 31, 2004.

(d) Cash and banks

Cash and banks are stated at face value.

F-14

4. Summary of significant accounting policies (continued)

(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 year-end.

As mentioned in Note 3.g, 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) above (except for deferred tax assets and liabilities and retirement benefits)

Other receivables and payables not included in (e) above (except for deferred tax assets and liabilities and retirement benefits), are measured based on the calculation of their discounted value using the internal rate of return of such assets or liabilities at year end.

(g) Investments

Time deposits are valued at their cost plus accrued interest at year 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 Company has investments in certain government bonds which are carried at market value. Certain bonds had been classified as held-to-maturity as Telecom Argentina s management had the intent and ability to hold those securities to maturity. Such securities were recorded at amortized cost, subject to impairment evaluation as of December 31, 2004.

The Company had certain equity interests in unconsolidated companies, representing from 0.15% to 5.75% of the capital stock in such companies as of December 31, 2004. These investments had been accounted for at the lower of cost or realizable value.

(h) 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 Company decides 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 Company s 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.

(i) Other assets, net

Buildings 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 in accordance with applicable regulations (See 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.

Raw materials have been accounted for at replacement cost, which does not exceed the estimated realizable value of such materials.

Printing costs related to directories are carried at cost and deferred until the related directories are distributed.

(j) 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 in accordance with applicable regulations (See 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 2.7% of the total transferred buildings, representing $17 of net carrying value as of December 31, 2005. Nevertheless, the Company is in complete possession of these fixed assets and operates them normally.

F-15

4. Summary of significant accounting policies (continued)

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 $6, $5 and $6 for the years ended December 31, 2005, 2004 and 2003, 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	11-50
Tower and pole	15
Transmission equipment	7-10
Switching equipment	7-10
Power equipment	10
External wiring	17
Telephony equipment and instruments	6-10
Installations	4-10
Computer equipment	3-5

During the second quarter ended June 30, 2005, independent appraisals helped the Company s subsidiaries, Personal and Nucleo, to reassess the appropriateness of the useful lives of certain of their fixed assets. As a result of the work, Personal and Nucleo changed the useful lives of their TDMA and GSM networks and certain other network-related assets prospectively as from January 1, 2005. Accordingly, Personal and Nucleo recognized accelerated depreciation of $31 related to these assets.

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.

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

(k) Intangible assets, net

Intangible assets are stated at cost, less accumulated amortization. All amounts have been restated for inflation in accordance with applicable regulations (See 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. Costs capitalized during the years ended December 31, 2005 and 2004 were not significant. These costs are being amortized on a straight-line basis over a period ranging between 5 years and 6.5 years.

4. Summary of significant accounting policies (continued)

- *Debt issue costs*

Expenses incurred in connection with the issuance of debt have been deferred and are being amortized under the interest method over the life of the related issuances. As a consequence of the closing of the debt restructuring process and the exchange of debt instruments, the related expenses of Telecom Argentina were fully amortized as of August 31, 2005.

- *PCS license*

The Company adopted RT 17, Overall considerations for the preparation of financial statements , as amended by CPCECABA, 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.

- *Band B of Paraguay license*

The Company s Band B license is amortized under the straight-line method over 10 years.

- *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 2 to 29 years.

- *Trademarks*

Trademarks are amortized under the straight-line method over 15 years.

(l) 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, undiscounted 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.

(m) Severance indemnities

Severance payments made to employees are expensed as incurred.

(n) Taxes payable

- Income taxes

As per Argentinean Tax Law, the provisions for income taxes in the statements of income for all periods presented have been computed on a separate return basis (i.e., assuming that the Company was not included in 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.

F-17

4. Summary of significant accounting policies (continued)

Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. RT 17 also requires companies to record a valuation allowance for that component of deferred tax assets which are not recoverable. The statutory income tax rate in Argentina was 35% for all periods presented. The statutory income tax rate in Paraguay was 20% for the fiscal year ended December 31, 2005 and 30% for the fiscal year ended December 31, 2004 and 2003, respectively.

- 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.

The Company has utilized a portion of its tax loss carryforwards in the computation of income taxes for the years ended December 31, 2004 and 2003. However, there are remaining tax loss carryforwards as of December 31, 2005. Accordingly, the Company has determined an additional proportional charge for the year ended December 31, 2005 for the tax on minimum presumed income of $46, which, together with the previous year charges, was deferred as Other non-current receivables . These charges have been estimated as recoverable based on the Company s tax projections and the 10-year legal expiration term for use of the credit.

- 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 years ended December 31, 2005, 2004 and 2003.

(o) 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.

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 December 31, 2005 and 2004.

- **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%.

(p) 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.

F-18

4. Summary of significant accounting policies (continued)

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

Effective January 1, 2002, the Company adopted RT 20 issued by the FACPCE, as amended by CPCECABA, 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 between the Liabilities and the 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 are adjusted to fair value through earnings.

While the Convertibility Law was in effect, as part of its risk management strategy, Telecom had used derivative financial instruments to hedge its exposure to foreign exchange rate fluctuations related to the Company s indebtedness not denominated in US dollars in order to reach a natural hedge with its income fixed in US dollars. During the fiscal year 2002, due to the end of the Convertibility Law and the suspension of the payments of the financial debt, Telecom Group had to prepay all of these derivative financial instruments that have been designated and recorded as hedge instruments.

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 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 .

Additionally, 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.

(r) Vacation expenses

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

(s) Advertising costs

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2005, 2004 and 2003 are shown in Note 16.h. under the line item Advertising expenses .

(t) 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 criteria was used by Personal and Telecom Argentina to account for their respective debt restructurings in November 2004 and August 2005, respectively. In November 2004, Nucleo s new debt was stated at face value plus contractual interest that did not differ significantly from its fair value at the time of the restructuring.

Additional information is given in Note 8.

(u) Gain on debt restructuring, net

Due to its materiality, the gain on debt restructuring, net of related expenses, has been included in a separate line item in the statement of income entitled Gain on debt restructuring, net (see Note 5.o and Note 8.2).

F-19

5. Breakdown of the main accounts

(a) Cash and banks

Cash and banks consist of the following:

	As of December 31, 2005	As of December 31, 2004
Cash	$ 12	$ 3
Banks	$ 34	29
	$ 46	**$ 32**

(b) Investments

Investments consist of the following:

	As of December 31, 2005	As of December 31, 2004
Current		
Time deposits	$ 551	$ 3,330
Government bonds, equity investments and mutual funds	45	356
Subtotal	**596**	**3,686**
Impairment loss on the Argentina 2004 bond	-	(56)
	$ 596	**$ 3,630**
Non current		
2003 Telecommunications Fund	$ 2	$ 2
	$ 2	**$ 2**

(c) Accounts receivable

Accounts receivable consist of the following:

	As of December 31, 2005	As of December 31, 2004
Current		
Voice, data and Internet	$ 403	$ 379
Wireless(i)	363	301
Wireless - related parties	4	2
Directories publishing	36	34
Subtotal	**806**	**716**
Allowance for doubtful accounts	(101)	(104)
	$ 705	**$ 612**

(i) Includes $26 as of December 31, 2005 and $49 as of December 31, 2004 corresponding to Nucleo s receivables.

(d) Other receivables

Other receivables consist of the following:

	As of December 31, 2005	As of December 31, 2004

Current		
Tax credits	$ 28	$ 26
Prepaid expenses	24	23
Restricted funds	10	6
Advances to employees	2	2
Derivatives	-	9
Other	28	17
Subtotal	**92**	**83**
Allowance for doubtful accounts	(6)	-
	$ 86	**$ 83**
Non current		
Credit on minimum presumed income tax (i)	$ 246	$ 200
Prepaid expenses	12	14
Other tax credits	7	4
Restricted funds	7	4
Other	4	1
Subtotal	**276**	**223**
Allowance for doubtful accounts	(7)	(4)
	$ 269	**$ 219**

(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 December 31, 2005	**As of December 31, 2004**
Wireless handsets and equipment	$ 113	$ 82
Allowance for obsolescence	(9)	(3)
	$ 104	**$ 79**

F-20

5. Breakdown of the main accounts (continued)

(f) Other assets

Other assets consist of the following:

	As of December 31, 2005	As of December 31, 2004
Current		
Buildings held for sale	$ 3	$ -
Deferred printing cost	1	1
Raw materials	2	2
Subtotal	**6**	**3**
Allowance for other assets	(1)	-
	$ 5	**$ 3**
Non current		
Buildings held for sale	$ 31	$ -
Allowance for other assets	(10)	-
	$ 21	**$ -**

(g) Accounts payable

Accounts payable consist of the following:

	As of December 31, 2005	As of December 31, 2004
Current		
Suppliers	$ 679	$ 443
Deferred revenues	80	46
Agent commissions	37	11
SU reimbursement	25	-
Related parties	13	14
	$ 834	**$ 514**

(h) Salaries and social security payable

Salaries and social security payable consist of the following:

	As of December 31, 2005	As of December 31, 2004
Current		
Vacation, bonuses and social security payable	$ 84	$ 58
Special termination benefits	14	16
Other	6	5
	$ 104	**$ 79**
Non current		
Special termination benefits	$ 30	$ 29
Other	-	4
	$ 30	**$ 33**

(i) Taxes payable

Taxes payable consist of the following:

	As of December 31, 2005		As of December 31, 2004	
Current				
Tax on Universal Service	$	61	$	39
Turnover tax	46		39	
VAT, net	41		32	
Income tax, net(i)	30		1	
Tax on minimum presumed income, net	9		17	
Regulatory fees	8		6	
Internal taxes	9		5	
Other	18		14	
	$	**222**	**$**	**153**
Non current				
Deferred tax liabilities (Note 10)	**$**	**92**	**$**	**5**

(i) As of December 31, 2005 corresponds 22 and 8 to Telecom and Nucleo, respectively, and as of December 31, 2004 corresponds to Nucleo.

F-21

5. Breakdown of the main accounts (continued)

(j) Other liabilities

Other liabilities consist of the following:

	As of December 31, 2005	As of December 31, 2004
Current		
Contributions to government programs	$ 13	$ 13
Court fee	3	2
Guarantees received	4	3
Other	11	4
	$ 31	**$ 22**
Non current		
Deferred revenue on sale of capacity and related services	$ 32	$ 34
Asset retirement obligations	21	13
Court fee	15	15
Retirement benefits (Note 15.II.c)	10	7
	$ 78	**$ 69**

(k) Net sales

Net sales consist of the following:

	Years ended December 31, 2005	2004	2003
Voice	$ 2,404	$ 2,302	$ 2,164
Data	150	151	185
Internet	317	265	207
Subtotal	**2,871**	**2,718**	**2,556**
Wireless	2,797	1,733	1,163
Directories publishing	50	43	34
	$ 5,718	**$ 4,494**	**$ 3,753**

(l) Equity gain (loss) from related companies

Equity gain (loss) from related companies consists of the following:

	Years ended December 31, 2005	2004	2003
Gain on sale of equity interest in Intelsat Ltd	$ 7	$ -	$ -
Nahuelsat	-	(2)	2
	$ 7	**$ (2)**	**$ 2**

(m) Financial results, net

Financial results, net consist of the following:

	Years ended December 31, 2005	2004	2003
Generated by assets			

Interest income	$ 103	$ 92	$ 108
Foreign currency exchange (loss) gain	(273)	178	(38)
Impairment loss on the Argentina 2004 bond	-	(56)	-
Holding losses on inventories	(14)	(6)	(5)
Other	(16)	14	(16)
Total generated by assets	**$ (200)**	**$ 222**	**$ 49**
Generated by liabilities			
Interest expense(i)	$ (674)	$ (747)	$ (664)
Loss on discounting of debt	(116)	(21)	-
Less capitalized interest on fixed assets	6	5	6
Foreign currency exchange gain (loss)	761	(638)	711
Loss on derivatives	(83)	-	-
Other	-	7	(54)
Total generated by liabilities	**$ (106)**	**$ (1,394)**	**$ (1)**
	$ (306)	**$ (1,172)**	**$ 48**

(i) Includes $82 as of December 31, 2005, $134 as of December 31, 2004 and $72 as of December 31, 2003 corresponding to penalty interests.

(n) Other expenses, net

Other expenses, net consist of the following:

	Years ended December 31, 2005	**2004**	**2003**
Severance indemnities and special termination benefits	$ (57)	$ (59)	$ (75)
Provision for contingencies	(88)	(24)	(90)
SU reimbursement	(11)	-	-
Allowance for obsolescence and other assets	(18)	(1)	-
Allowance for doubtful accounts	(9)	(1)	(1)
Other, net	18	7	(2)
	$ (165)	**$ (78)**	**$ (168)**

F-22

5. Breakdown of the main accounts (continued)

(o) Gain on debt restructuring, net (Note 8)

Gain on debt restructuring consist of the following:

	Years ended December 31, 2005	2004	2003
Discount on principal	$ 167	$ 72	$ 361
Discount on accrued and penalty interest	984	142	49
Gain on discounting of debt	352	41	-
Subtotal before related expenses and income tax	**1,503**	**255**	**410**
Other related expenses	(79)	(46)	(34)
	$ 1,424	**$ 209**	**$ 376**

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 December 31, 2005	2004	2003	2002
Cash and banks	$ 46	$ 32	$ 26	$ 53
Current investments	596	3,630	2,441	1,362
Total as per balance sheet	**$ 642**	**$ 3,662**	**$ 2,467**	**$ 1,415**
Less:				
Items not considered cash and cash equivalents				
- Currency-like bonds (i)	-	-	-	(36)
- Time deposits with maturities of more than three months	-	(463)	(193)	-
- Government bonds	(40)	(ii)(251)	(58)	(65)
- Equity investments	-	(8)	-	-
Total cash and cash equivalents as shown in the statement of cash flows	**$ 602**	**$ 2,940**	**$ 2,216**	**$ 1,314**

(i) Corresponds to national and provincial government bonds restricted as to their use for paying commercial and tax obligations in the respective jurisdictions of issuance.

(ii) Corresponds to the current portion of held-to-maturity investments. In December 2004, includes $23 corresponding to the Argentina 2004 bond, net of impairment loss.

Changes in assets/liabilities components:

	Years ended December 31, 2005	2004	2003
Net (increase) decrease in assets			
Investments not considered as cash or cash equivalents	$ (2)	$ (90)	$ (5)
Trade accounts receivable	(118)	(31)	(334)
Other receivables	(1)	(2)	(3)
Inventories	(49)	(81)	(13)
	$ (170)	**$ (204)**	**$ (355)**
Net (decrease) increase in liabilities			
Accounts payable	$ 229	$ 81	$ 141

Salaries and social benefits payable	22	5	17
Taxes payable	(13)	(46)	179
Other liabilities	9	4	10
Contingencies	(13)	(18)	(17)
	$ 234	**$ 26**	**$ 330**

Income taxes paid during the year ended December 31, 2005 amounted to $11. Interest paid during the years ended December 31, 2005, 2004 and 2003, amounted to $944, $154 and $347, respectively.

- ***Non-cash investing and financing activities:***

	Years ended December 31,		
	2005	**2004**	**2003**
Acquisition of fixed assets through incurrence of accounts payable	$ 194	$ 227	$ 188
Acquisition of intangible assets through incurrence of accounts payable	-	12	-
Debt issue costs	4	-	-
Capitalized interest on fixed assets	6	5	6
Wireless handsets lent to customers at no cost(i)	3	8	3
Asset retirement obligations	8	3	10
Provision for minimum presumed income tax	47	46	68
Government bonds and tax credits exchanged for tax certificates	-	4	(84)

(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.

F-23

6. Supplementary cash flow information (continued)

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:

	Years ended December 31, 2005	2004	2003
Government bonds with maturities of more than three months	$ 213	$ (147)	$ 15
Time deposits with maturities of more than three months	442	(235)	(193)
Contribution to the 2003 Telecommunications Fund	-	-	(2)
Total cash flows from investments not considered as cash equivalents	**$ 655**	**$ (382)**	**$ (180)**

Financing activities components:

	Years ended December 31, 2005	2004	2003
Debt proceeds (Personal)	$ 1,236	$ -	$ -
Payment of Notes (Telecom Argentina)	(3,432)	-	(277)
Payment of bank loans (Telecom Argentina, Personal and Nucleo)	(1,252)	(471)	(156)
Payment of interest on Notes and debt-related taxes and fees (Telecom Argentina and Personal)	(773)	-	(231)
Payment of interest on bank loans (Personal and Nucleo)	(125)	(118)	(52)
Payment of debt restructuring related expenses (Telecom Argentina and Personal)	(46)	(36)	(12)
Payment of interest on fixed assets and inventory financing (Telecom Argentina and Personal)	-	-	(52)
Total financing activities components	**$ (4,392)**	**$ (625)**	**$ (780)**

7. Related party transactions

(a) Controlling group

As of December 31, 2005, Nortel is the controlling shareholder of Telecom Argentina, representing 54.74% of the total common stock of Telecom Argentina. Nortel owns all of the outstanding Class A shares and 36,832,408 Class B shares 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 will be exercisable from January 31, 2008 through December 31, 2013.

As of December 31, 2005, 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. W de Argentina - Inversiones S.L. has granted two call options to the Telecom Italia Group to purchase its equity interest in Sofora for an aggregate purchase price of US$ 60 million. The first call option to acquire 48% of the equity interest of Sofora may be exercised within 15 days after December 31, 2008. The second call option to acquire the remaining 2% of the equity interest of Sofora may be exercised at any time between December 31, 2008 and December 31, 2013.

(b) Related parties

Related parties are those legal entities or individuals other than Nortel or any related company as defined under Law No. 19.550, Section 33 (subsidiaries or unconsolidated companies) which are related to the Telecom Italia Group or to W de Argentina - Inversiones S.L.

(c) Balances and transactions with related parties

The Company has transactions in the normal course of business with certain related parties. The following is a summary of the balances and transactions with related parties as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003:

F-24

7. Related party transactions (continued)

		As of December 31, 2005	As of December 31, 2004
Accounts receivable			
Telecom Italia Mobile S.p.A	Roaming	$ 3	$ 2
TIM Celular S.A.(a)	Roaming	1	-
		$ 4	**$ 2**
Accounts payable:			
Telecom Italia Sparkle S.p.A.(a)	Rights of use	1	12
Telecom Italia Mobile S.p.A.(a)	Fees for services	5	-
Italtel S.A.(a)	Maintenance, mat. and supplies	4	-
Latin American Nautilus USA Inc(a)	International outbound calls	1	-
TIM SUL S.A.(a)	International outbound calls	1	-
La Caja ART S.A.(b)	Insurance	1	-
Telecom Italia S.p.A. Argentine Branch(a)	Fees for services	-	1
Etec S.A.(a)	International outbound calls	-	1
		$ 13	**$ 14**

	Transaction description	Years ended December 31, 2005	2004	2003
Services rendered:				
Related parties as of December 31, 2005				
Telecom Italia Sparkle S.p.A.(a)	International inbound calls	$ 3	$ 4	$ 4
Entel S.A. (Bolivia)(a)	International inbound calls	1	1	1
Latin American Nautilus Argentina(a)	International inbound calls	1	-	-
Latin American Nautilus USA Inc(a)	International inbound calls	1	-	-
Telecom Italia Mobile S.p.A.(a)	Roaming	5	4	2
TIM Celular S.A.(a)	Roaming	6	2	-
Corporación Digitel CA(a)	Roaming	1	-	-
Latin American Nautilus(a)	International inbound calls	-	2	1
Former related parties(e)				
Golden Lines(c)	International inbound calls	1	1	1
Entel Chile S.A.(c)	International inbound calls	3	10	13
Entel PCS Telecomunicaciones S.A.(c)	Roaming	2	5	4
Total net sales		**$ 24**	**$ 29**	**$ 26**
Services received:				
Related parties as of December 31, 2005				
Telecom Italia S.p.A. Argentine branch(a)	Fees for services	$ (3)	$ (3)	$ (3)
Telecom Italia S.p.A.(a)	Fees for services	(7)	-	-
Entel S.A. (Bolivia)(a)	International outbound calls	(3)	(4)	(3)
Etec S.A.(a)	International outbound calls	(4)	(3)	(4)
Telecom Italia Sparkle S.p.A.(a)	International outbound calls	(9)	(3)	(3)
Telecom Italia Mobile S.p.A.(a)	Roaming and fees for services	(10)	(1)	(1)
TIM Celular S.A.(a)	Roaming	(3)	-	-
Italtel S.A.(a)	Maintenance, materials and supplies	(1)	-	-
Latin American Nautilus USA Inc.(a)	International outbound calls	(1)	-	-
Latin American Nautilus(a)	International outbound calls and lease of circuits	(1)	(1)	-
Teco Soft Argentina S.A. (in process of liquidation)(a)	Fees for services	-	(3)	(12)
La Caja ART S.A.(b)	Insurance	(3)	(2)	-

Caja de Seguros S.A.(b)	Insurance	(1)	(2)	-
Former related parties(e)				
Tel3 S.A.(c)	Fees for services	(8)	(14)	(3)
Entel Chile S.A.(c)	International outbound calls	(3)	(13)	(11)
Golden Lines(c)	International outbound calls	(1)	(1)	(1)
Pirelli Energía Cables y Sistemas de Argentina S.A.(c)	Fees for services	-	(10)	-
Pirelli Telecomunicaciones Cables y Sistemas de Argentina S.A.(c)	Fees for services	-	(4)	-
FCR Argentine branch(d)	Fees for services	-	-	(3)
Sofrecom Argentina S.A.(d)	Fees for services	-	-	(9)
Nahuelsat(c)	Rental expenses	(4)	(8)	(7)
Intelsat Ltd.(c)	Rental expenses	(1)	(3)	(5)
Multibrand(c)	Advertising	-	-	(1)
Total operating costs		**$ (63)**	**$ (75)**	**$ (66)**

F-25

7. Related party transactions (continued)

	Years ended December 31, 2005	2004	2003
Purchases of fixed assets/intangible assets:			
Related parties as of December 31, 2005			
Telecom Italia Sparkle S.A.(a)	$ 18	$ 24	$ -
Italtel S.A.(a)	14	-	-
Italtel S.p.A.(a)	1	-	-
Latin American Nautilus Argentina (a)	1	-	-
Teco Soft Argentina S.A. (in process of liquidation) (a)	-	-	1
Former related parties(e)			
Tel3 S.A.(c)	3	4	-
Pirelli Energía Cables y Sistemas de Argentina S.A.(c)	6	-	-
Sofrecom Argentina S.A.(d)	-	-	8
Total fixed assets and intangible assets	**$ 43**	**$ 28**	**$ 9**

(a) Such companies form part of Telecom Italia Group, a shareholder of the Company.

(b) Such companies form part of W de Argentina - Inversiones S.L., a shareholder of the Company.

(c) These companies were a related party before December 31, 2005.

(d) Such companies had formed part of France Telecom Group, a former shareholder of the Company and were related party until December 2003.

(e) These entities are no longer related parties at December 31, 2005

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.

As of December 31, 2005, Telecom Argentina had loans outstanding to officers of Telecom Argentina, totaling $0.4. The annual interest fixed rate for these loans is 6%.

(d) Dissolution of Cable Insignia

Since Cable Insignia has no operations, on April 25, 2003 the Annual Shareholders Meeting of Cable Insignia S.A. approved the entity s dissolution. Cable Insignia is currently in process of liquidation.

(e) Sale of the interest in Intelsat Ltd.

In December 2004, the Board of Directors of Telecom Argentina authorized the sale of its equity interest in Intelsat to Zeus Holdings Limited for US$ 5 million. The sale transaction was completed in the first quarter of 2005 generating a gain of approximately $6.

(f) Sale of the interest in Nahuelsat S.A.

In August 2005, Publicom sold its 5.75% equity interest in Nahuelsat S.A. for $0.1.

8. Debt

8.1. The Company s short-term and long-term debt

As of December 31, 2005 the Company s short-term and long-term debt comprises the following:

	As of December 31, 2005		As of December 31, 2004	
Short-term debt:				
- Principal:				
Notes	$	761	$	5,353
Bank loans	39		1,177	
Fixed assets financing	-		1,475	
Subtotal	800		8,005	
- Accrued interest	59		1,259	
- Derivatives	46		-	
- Penalty interest	-		170	
Total short-term debt	**$**	**905**	**$**	**9,434**
Long-term debt:				
- Principal:				
Notes	$	3,856	$	-
Bank loans	386		1,260	
Subtotal	4,242		1,260	
- Effect on discounting of debt	(277	)	(41	)
- Derivatives	31		-	
Total long-term debt	**$**	**3,996**	**$**	**1,219**
Total debt	**$**	**4,901**	**$**	**10,653**

As further described below, on August 31, 2005, all the outstanding debt of Telecom was restructured. The following table segregates the Telecom Group s debt by company as of December 31, 2005:

F-26

8. Debt (continued)

	Telecom	Personal(i)	Nucleo	Eliminations	Consolidated
Restructured debt					
• Principal	3,766	1,238	52	(14)	**5,042**
• Accrued interest	55	4	-	-	**59**
Subtotal	**3,821**	**1,242**	**52**	**(14)**	**5,101**
• Effect on discounting of debt	(277)	-	-	-	**(277)**
• Derivatives	77	-	-	-	**77**
Total restructured debt	**3,621**	**1,242**	**52**	**(14)**	**4,901**
• Current	819	77	23	(14)	**905**
• Non current	2,802	1,165	29	-	**3,996**

(i) Includes new debt issued on December 22, 2005, to cancel the outstanding debt restructured on November 20, 2004 (see 8.3.a) below).

8.2. Restructured debt of Telecom Argentina

On August 31, 2005, Telecom Argentina completed its debt restructuring and complied with the terms of the APE, as follows:

1. The Company issued Series A Notes in the following currencies and original principal amounts: $26 million (including CER adjustment), US$105 million, Euro 534 million and Yen 12,328 million. Additionally, the Company paid to creditors who received consideration under Option A, $1 million, US$10 million, Euro 43 million and Yen 396 million for accrued interest from January 1, 2004 through August 31, 2005 (based on the nominal amount of Series A Notes at the contractual interest rates).

2. The Company issued US$999 million of Series B Notes under Option B. Additionally, the Company paid creditors who received consideration under Option B, US$150 million for accrued interest from January 1, 2004 through August 31, 2005 (based on the nominal amount of Series B Notes at the contractual interest rate).

3. The Company paid US$565 million to creditors who selected or were allocated into Option C. Additionally, the Company paid creditors who received consideration under Option C, US$21 million for accrued interest from January 1, 2004 through August 31, 2005 (at an annual rate of 2.28%).

4. The Company made principal payments of US$534 million under the terms of the new Notes consisting of:

a. mandatory principal payments originally scheduled for October 15, 2004 and April 15, 2005, amounting to US$143 million.

b. cash reserved but not applied pursuant to Option C (equal to US$98 million) and additional principal prepayments, amounting to US$293 million. Such amount effectively prepaid all principal amortization payments originally scheduled through October 15, 2007, inclusive.

In compliance with the terms of the APE, on October 17, 2005, the Company made a mandatory interest payment amounting to US$13 million covering the period August 31, 2005 through October 15, 2005, and an optional principal prepayment amounting to US$78 million. This amount prepaid all principal amortization payments originally scheduled on April 2008.

Pursuant to the terms of the APE, non-participating creditors were entitled to receive consideration in the form of Series A Notes and cash consideration under Option A. Such consideration, plus the payments described above, payable to non-participating creditors is available for collection provided they follow certain collection procedures.

- ***New Notes***

Terms and conditions

Series A Notes will be due in 2014 and Series B Notes will be due in 2011. Series A Notes and Series B Notes were split into listed and unlisted notes.

Series A-1 Notes are dollar- or euro-denominated listed notes. Series A-2 are dollar-, euro-, yen- or peso-denominated unlisted notes. Peso-denominated Series A-2 unlisted notes are to be adjusted by CER index. Series B-1 Notes and Series B-2 Notes are dollar-denominated notes only.

Series A-1 Notes and Series A-2 Notes accrue escalated interest based on denomination as follows:

	From issue date until October 15, 2008	From October 16, 2008 to maturity
US dollar denominated	5.53%	8.00%
Euro denominated	4.83%	6.89%
Yen denominated	1.93%	3.69%
Peso denominated	3.23%	3.42%

Series B-1 Notes and Series B-2 Notes accrue escalated interest as follows:

	From issue date until October 15, 2005	From October 16, 2005 to October 15, 2008	From October 16, 2008 to maturity
US dollar denominated	9.00%	10.00%	11.00%

F-27

8. Debt (continued)

Penalty interest, if applicable, will accrue at an additional annual rate of 2% on overdue principal and interest.

Rating

The new Notes have received a rating of B- by both Standard & Poors International Ratings LLC, Argentine branch and Fitch Ratings.

Covenants

Mandatory prepayments

If the Company generates Excess Cash as contractually defined and calculated, such Excess Cash generally shall be applied on a semi-annual basis to make payments on the remaining scheduled installments of the debt instruments in direct order of maturity, or, at its option, retire the debt instruments through open market purchases or make a voluntary redemption.

Excess cash shall be measured semi-annually based on the consolidated financial statements of the Company (excluding Personal and its subsidiaries) as of June 30 and December 31 of each year, and any excess cash must be applied no later than the due date of the scheduled amortization payments immediately subsequent to each June 30 or December 31, respectively. Based on these financial statements, the Company has determined an excess cash of $370 (equivalent to US$ 122 million).

However, if at any time during the excess cash period, Telecom Argentina makes any distribution payment (as defined in the APE, including but not limited to the payment of dividends) the aggregate amount of the excess cash applied to pay the new Notes will have to be at least two and a half times such distribution payment.

Telecom will make an offer to redeem all outstanding notes, as described in the Indenture, in the case of a change of control.

Also, the Notes may be redeemed at Telecom Argentina s option, without payment of any premium or penalty, in whole or in part, at any time after the issuance date and prior to the maturity date at the redemption price equal to 100% of the outstanding principal amount thereof (adjusted to take into account any prepayments or repurchases), together with accrued interest, if any, to the date fixed for redemption and any additional amounts.

Negative covenants

The terms and conditions of the new Notes require that the Company complies with various negative covenants, including limitations on:

a) Incurrence and/or assumption of, and/or permitting to exist in Telecom Argentina or its restricted subsidiaries (as defined in the relevant debt instruments), any liens on the respective properties, assets or income for the purpose of securing any indebtedness of any person, except for certain permitted liens;

b) Incurrence of and/or permitting any restricted subsidiaries to incur any indebtedness (other than certain permitted indebtedness) unless Telecom Argentina meets a specified indebtedness/EBITDA ratio with respect to Telecom Argentina and its restricted subsidiaries (other than Personal and its subsidiaries) of 2.75 to 1, except for certain permitted liens;

c) Making specified restricted payments, including making any investments (other than permitted investments); under this covenant, the Company cannot make any investment in securities or indebtedness of, or extend loans to, other persons, unless such transactions are specifically permitted. Under the Telecom Argentina notes, specific limits are imposed on the amount and conditions of loans that may be made by Telecom Argentina to Personal.;

d) The sale of certain assets with some exceptions, i.e. a minimum 75% of consideration received should be in cash or cash equivalents and the proceeds of certain asset sales shall be used to pay the relevant debt instrument;

e) Sale and leaseback transactions;

f) Capital expenditures except for those expressly permitted;

g) Telecom will not merge into or consolidate with any person or sell, assign, transfer or otherwise convey or dispose of all or substantially all of its assets, except for certain permitted conditions.

Additional information on the terms and conditions is available at the sites www.sec.gov and www.cnv.gov.ar and in the restructuring section of the Company s website.

These websites are not an integral part of these consolidated financial statements.

8. Debt (continued)

Events of default

The terms and conditions of the new Notes provide for certain events of default as follows:

(i) Failure to pay principal or interest;

(ii) Cross-default provisions, such as failure to pay principal or interest on any other outstanding indebtedness of the Company s subsidiaries, which equals or exceeds an aggregate amount of US$ 20 million;

(iii) Any final judgment against Telecom Argentina providing for the payment of an aggregate amount exceeding US$ 20 million;

(iv) Any voluntary petition for bankruptcy by Telecom Argentina, special bankruptcy proceedings or out-of-court reorganization agreements and,

(v) Any event or condition which results in the revocation or loss of the licenses held by either Telecom Argentina and/or any of its restricted subsidiaries which would materially affect the entities´ business operations, their financial condition and results of operations.

Should any of the events of default above described occur, with respect to Telecom Argentina or, if applicable, any of its restricted subsidiaries, then Telecom Argentina shall be in default under the new Notes. Telecom Argentina s default does not trigger an event of default under Personal or Nucleo s loans. Personal s default does not trigger an event of default under Nucleo s loans.

Provided any of the events of default occurs, the creditors (and or their agents or trustees) are entitled, at their option and subject to certain conditions to demand the principal amount and accrued interest of the relevant debt instrument to be due and payable.

Measurement of the new Notes

The new debt was initially recorded at fair value. Fair value was determined by the present value of the future cash flows to be paid under the terms of the new debt instruments discounted at a rate commensurate with the risks of the debt instrument and time value of money at the moment of the debt restructuring (August 31, 2005). Based on the opinion of an external financial expert, the mandatory payments of the restructured debt has been discounted to its present value using a discount rate of (i) 10.5% for the dollar nominated notes; (ii) 9.2% for the euro nominated notes and (iii) 7.3% for the Japanese yen nominated notes (all tax-free rates for the noteholders, if corresponds).

As a consequence of the closing of Telecom Argentina s debt restructuring process, the Company reduced the face value of its financial debt by $352 as of August 31, 2005, with a charge to Gain on debt restructuring. This gain on discounting of debt will be reversed overtime, up to the maturity of the related debt.

As described in Note 5.o, the Company recorded a gain on debt restructuring of $1,503, equal to US$516 million, before related expenses and income tax, as follows:

Equivalent amounts in US$ million	Outstanding debt as of August 31, 2005 (I)	Amounts paid on August 31, 2005 (II)	Discounts (III)	Restructured debt (nominal value)(b) (IV) = (I) - (II) - (III)	Gain on discounting of debt (V)	Book value (VI) = (IV) - (V)
Principal	2,506	(a)(1,099)	(58)	1,349	(121)	1,228
Accrued interest	502	(247)	(255)	-	-	-
Penalty interest	82	-	(82)	-	-	-

3,090	**(1,346)**	**(395)**	**1,349**	**(121)**	**1,228**

(a) Includes an optional payment equal to US$293 million.

(b) Corresponds to the issuance of Notes equal to US$1,883 million, net of a payment of US$534 million.

At the end of 2005, the Company has considered new assumptions in the determination of its estimated cash flows available to service the restructured debt, resulting in a loss of $44 included in Financial results, net in the line Loss on discounting of debt and a reduction of the Effect on discounting of debt.

F-29

8. Debt (continued)

Main characteristics of the new Notes

The following table shows the outstanding series of Notes as of December 31, 2005:

					Book value at December 31, 2005 (in million of $)					Fair value
Series	**Class**	**Nominal value (in millions)**	**Outstanding debt**	**Maturity date**	**Principal**	**Accrued interest**	**Total nominal value**	**Gain on discounting of debt**	**Total**	**as of December 31, 2005**
Listed										
A-1	1	US$98	US$82	October 2014	250	3	253	(32)	221	238
A-1	2	Euro 493	Euro 416	October 2014	1,492	16	1,508	(178)	1,330	1,404
B-1	-	US$933	US$490	October 2011	1,486	31	1,517	(4)	1,513	1,504
					3,228	**50**	**3,278**	**(214)**	**3,064**	**3,146**
Unlisted										
A-2	1	US$7	US$6	October 2014	19	-	19	(2)	17	18
A-2	2	Euro 41	Euro 35	October 2014	124	1	125	(15)	110	116
A-2	3	Yen 12,328	Yen 10,405	October 2014	268	1	269	(46)	223	236
A-2	4	$ 26	$ 23	October 2014	23	-	23	-	23	23
B-2	-	US$66	US$35	October 2011	104	3	107	-	107	106
					538	**5**	**543**	**(63)**	**480**	**499**
					3,766	**55**	**3,821**	**(277)**	**3,544**	**3,645**

- ***Legal actions brought against Telecom Argentina***

1. Originated by the suspension in the payment of the financial debt

As of the date of these financial statements, eight summary attachment proceedings(*juicios ejecutivos)* for approximately US$3.8 filed against Telecom by individuals alleging to be holders of Telecom s outstanding notes had concluded. At December 31, 2005, attachments for said proceedings amount approximately US$0.7 million, and are in the process of being released.

2. Originated by the homologation (judicial approval) of the APE

On October 12, 2005, Telecom requested that the overseeing judge declare that, by the issuance of debt with new payment terms and the payment of cash consideration pursuant to the APE on August 31, 2005, Telecom has duly fulfilled the APE according to the terms of section 59 of the Bankruptcy Law. On December 14, 2005, the reviewing court ordered the APE execution, which order was not appealed.

As a consequence of said pronouncement, the injunction enjoining Telecom from disposing of certain of its assets ceased to be in force, holders of the outstanding notes shall have to file new proceedings for collection in case the terms and conditions of the new Notes are not fulfilled and, if such is the case, Telecom shall be authorized to apply the remedies set forth in the Bankruptcy Law if more than a year elapses from the issuance of the resolution of section 59 of the abovementioned law (for example, Telecom Argentina s voluntary petition for special bankruptcy proceedings - *Concurso Preventivo* - or a new APE reviewing process).

3. Potential judicial claims by non-participant creditors

Telecom Argentina believes that certain non-participating creditors may file actions in the United States of America against it to seek collection of their original investments. Accordingly, on September 13, 2005, Telecom Argentina filed a petition with the Courts of New York under Section 304 of the U.S. Bankruptcy Law seeking execution of the APE process in the United States. On October 11, 2005, the opposing party in the action, the US Bank N.A. (First Trust of New York), as Trustee of the Indenture, did not object to the execution of the APE process in the United States. However, an alleged creditor, the Argo Fund, filed an action against Telecom s petition. During December 2005, both parties briefed the Court, and a ruling was granted in favor of Telecom Argentina s position on February 24, 2006. The final judgment (i) approved the execution of the APE process in the United States, (ii) ruled that the Trustee of the Indenture and the non-participating creditors were bound by the terms of the APE process and (iii) ruled that the restructured notes were extinguished by law and had to be settled. The Argo Fund appealed the judgment with the District Court, which is still pending. If Telecom Argentina is granted un unfavorable ruling, it expects that any potential claim from unsecured non-participating creditors will be rejected under Articles 56 and 76 of the Argentine *Ley de Concursos,* which establishes that the APE is binding to all unsecured creditors outstanding as of the date of submission of the APE process for judicial approval.

F-30

8. Debt (continued)

- ***Derivatives***

As indicated in Note 4.q, having successfully completed its debt restructuring process, in August and September 2005, Telecom Argentina entered into two foreign exchange currency swap contracts to hedge its exposure to US dollar fluctuations related to the Euro and Japanese yen-denominated new Notes. These swap agreements establish, among other typical provisions for this type of transaction, the early termination provision without any payment obligation by either party, in the event that (i) the Company fails to pay certain of its obligations, (ii) certain of the Company s obligations are accelerated, (iii) the Company repudiates or declares a moratorium with respect to certain of its obligations, (iv) the Company restructures certain of its obligations in a certain way, or (v) the Company becomes insolvent or bankrupt or is subject to in-court or out-of-court restructuring or a voluntary and/or involuntary bankruptcy proceeding. These hedge contracts do not include any collateral.

The nature and detail of the outstanding swap contracts at December 31, 2005 are as follows:

Characteristics of the agreement	Swap in euros	Swap in Yen
- Date of the contract	08.23.05	09.30.05
- Principal swap exchange rate	1.2214 US$/Euro	113.3 Yen/US$
- Principal to receive subject to contract	431 million	¥ 9.951 million
- Principal to render subject to contract	US$526 million	US$88 million
- Interest rate to be received in Euro/Yen(*)	4.83% annual	1.93% annual
- Interest rate to be paid in US$6.90% annual	6.90% annual	6.02% annual
- Total principal and interest to be received	484 million	¥ 10,442 million
- Total principal and interest to be paid	US$619 million	US$101 million
- Swap estimated market value as of 12.31.05 - liabilities	US$21.9 million	US$3.3 million

(*) Coincident to the new Notes rates nominated in that currency in such period.

8.3. Restructured debt of the subsidiaries

(a) Personal

1. New notes

In September 2005, the Board of Directors of Personal called for a shareholders meeting to create a global program for the issuance of notes (the Global Program) to pay down the outstanding notes restructured in 2004. Personal s objective was to improve its debt profile, by modifying its interest rates and eliminating certain restrictive covenants.

In October 2005, the Ordinary and Extraordinary Shareholders Meeting approved the creation of the Global Program and the issuance of non-convertible unsecured and unsubordinated notes for up to a maximum amount of US$ 500 million or its equivalent in other currencies. The offering of the notes issued under the Global Program and the establishment of the Global Program were authorized by Resolution No. 15,238 of the CNV dated November 10, 2005.

The notes were issued on December 22, 2005, the proceeds of which together with the proceeds from the bank loans (as discussed in 2 below) and available cash were used to fully settle the outstanding principal and interest amount under Series A and Series B issued on November 30, 2004. The amounts paid were approximately US$ 412 million, of which US$ 404 million related to principal and US$ 8 million related to interest.

The Shareholders Meeting of Personal authorized the Board of Directors to determine the terms and conditions of the issue, including but not limited to, amount, price, interest rate and denomination of the notes. The notes have received international ratings of B- by both Fitch Argentina Calificadora de Riesgo S.A. and Standard & Poor´s International Ratings Ltd., Argentina branch.

8. Debt (continued)

The following table shows the outstanding series of Notes as of December 31, 2005:

Series	Nominal value (in millions)	Term in years	Maturity date	Annual rate%	Book value as of December 31, 2005	Fair value as of December 31, 2005
1	$ 43	1	December 2006	12.00	43	43
2	$ 87	3	December 2008	(a)13.78	87	87
3	US$ 240	5	December 2010	9.25	728	734
		Principal			**858**	**864**
		Accrued interest			1	-
		Issue discount and underwriting fees			(7)	-
		Total			**852**	**864**

(a) Floating Badlar plus 6.5%. Badlar for the period from issuance through March 22, 2006 is 7.28%. Total interest rate cannot be lower than 10% or higher than 20%.

Personal may, at any time and from time to time, purchase notes at market price in the secondary market.

2. Bank loans

In April 2005, Personal entered into a $13 million loan agreement with a financial institution. The proceeds were used to prepay down principal installments of the Series A and Series B loans. The loan matures in approximately one year.

In July 2005, Personal entered into loan agreements with certain financial institutions aggregating $17 million, the proceeds of which were used to purchase fixed assets. These loans mature between July and September 2006. In November 2005, Personal entered into a US$20 million loan agreement with a financial institution due February 2008. The proceeds of this loan was also used to acquire fixed assets.

On December 22, 2005, Personal entered into two Syndicated loans for an amount of US$ 69 million and $87, respectively.

The following table shows the main characteristics of the syndicated loans as of December 31, 2005:

Loans	Nominal value (in millions)	Term in months	Maturity date	Annual rate%	Book value as of December 31, 2005
Peso Facility					
Tranche A	$ 57	18	June 2007	12.20	57
Tranche B	$ 30	24	December 2007	13.10	30
Dollar Facility					
Tranche A	US$ 34.5	18	June 2007	(a)6.5625	104
Tranche B	US$ 34.5	24	December 2007	(b)6.8125	105
			Principal		296
			Accrued interest		1
			Total		**297**

(a) 3-months LIBOR of 4.5625 plus 2%.

(b) 3-months LIBOR of 4.5625 plus 2.25%.

3. Covenants

The terms and conditions of Personal s new Notes require that Personal comply with various covenants, including:

P in the case of a change of control, Personal shall make an offer to redeem all outstanding notes, as described in the Indenture;

P in the case of Series 3, if at any time the Leverage Ratio is in excess of 3.00 to 1 and Personal makes any payment of dividends, the rate of interest accruing on the notes shall increase by 0.5% per annum for the remainder of the time the notes remain outstanding and shall accrue from such dividend payment date at the rate of 9.75% per annum.

The terms and conditions of Personal s Syndicated loans require that Personal comply with various covenants, including:

v Maximum Leverage Ratio: the Leverage Ratio as of the end of the last four quarters shall not be greater than 2.00:1.0 as of December 31, 2005 and shall not be greater than 1.75:1.0 for the quarter ended March 31, 2006 and each quarter ended thereafter;

v Interest Coverage Ratio: the Interest Coverage Ratio (Consolidated quarterly EBITDA / accrued interest for quarterly - including amortization issue discount-) for any fiscal quarter shall be included in a range between 1.50 and 3.00 to 1.00 over the life of the loans.

F-32

8. Debt (continued)

4. Negative covenants

The terms and conditions of Personal s new Notes as well as the terms of the Syndicated loans require that Personal comply with various negative covenants, including limitations on:

a) Incurrence and/or assumption of, and/or permitting to exist in Personal or its restricted subsidiaries (as defined in the relevant debt instruments), any liens on the respective properties, assets or income for the purpose of securing any indebtedness of any person, except for certain permitted liens;

b) Incurrence of and/or permitting any restricted subsidiaries to incur any indebtedness unless on the date of the incurrence of such indebtedness, after giving effect to such incurrence and the receipt and application of the proceeds therefrom, the Leverage Ratio does not exceed (a) 3.25 to 1, if such indebtedness is incurred prior to December 31, 2006; or (b) 3.00 to 1, if such indebtedness is incurred thereafter;

c) Making any investments (other than permitted investments) either directly or indirectly through its subsidiaries in any person (individuals or entities);

d) Permitting any of its subsidiaries to, directly or indirectly, enter into, renew or extend any transaction or arrangement including the purchase, sale, lease or exchange of property or assets, or the rendering of any service, with any holder of 10% or more of the capital stock of Personal, except upon terms not less favorable to Personal or such subsidiary than those that could be obtained in a comparable arm s-length transaction with a person that is not an affiliate of Personal;

e) The sale of certain assets with some exceptions, i.e. a minimum 75% of consideration received should be in cash or cash equivalents;

f) Sale and leaseback transactions;

g) Personal will not merge into or consolidate with any person or sell, assign, transfer or otherwise convey or dispose of all or substantially all of its assets, except for certain permitted conditions.

5. Events of default

The terms and conditions of Personal s new Notes as well as the terms of the Syndicated loans of Personal provide for certain events of default as follows:

a) Failure to pay principal or interest;

b) Cross-default provisions, such as failure to pay principal or interest on any other outstanding indebtedness of Personal or its restricted subsidiaries, which equals or exceeds an aggregate amount of US$ 20 million;

c) Any final judgment against Personal or its restricted subsidiaries providing for the payment of an aggregate amount exceeding US$ 20 million;

d) Any voluntary petition for bankruptcy by Personal or its restricted subsidiaries, special bankruptcy proceedings or out-of-court reorganization agreements and,

e) Any event or condition which results in the revocation or loss of the licenses held by either Personal and/or any of its restricted subsidiaries which would materially affect the entities´ business operations, their financial condition and results of operations.

Should any of the events of default above described occur, with respect to Personal or, if applicable, any of its restricted subsidiaries, then Personal shall be in default under the new Notes and the new loan agreements, as applicable.

Provided any of the events of default occurs, the creditors (and/or their agents or trustees) are entitled, at their option, to declare the principal amount of the relevant debt instrument to be due and payable.

Additional information on the terms and conditions is available in the respective documents. These documents are not an integral part of these consolidated financial statements.

(b) Nucleo

In November 2004, Nucleo completed the restructuring of its outstanding indebtedness with foreign creditors, under which Nucleo refinanced US$ 59 million in principal amounts maturing on December 27, 2008.

The restructured debt with local creditors (as of December 31, 2005, US$ 2 million) accrues interest at an annual fixed interest rate of 7.125% while the restructured debt with foreign creditors (as of December 31, 2005, US$ 15 million) accrues interest at a variable interest rate of three-month LIBO plus 4.5%.

F-33

8. Debt (continued)

Since contractual rates are commensurate with the risks of the debt instrument and time value of money at the moment of the debt restructuring, the new debt has not been discounted.

During fiscal year 2005, Nucleo made optional prepayments to holders of the new loans for an aggregate amount of US$ 28 million, that were applied to pay the full amount of the scheduled amortization payments on the new loans payable up to December 27, 2007 and a portion of the scheduled amortization payments on the new loans payable up to December 27, 2008 plus the accrued interests as of that dates. Consequently, Nucleo s outstanding debt as of December 31, 2005, amounted to US$ 17 million with a maturity date on December 27, 2008.

On January 27, 2006, Nucleo made optional prepayments to holders of the new loans for an aggregate amount of US$ 8 million, that were applied to pay the full amount of the scheduled amortization payments on the new loans payable up to June 27, 2008 and a portion of the scheduled amortization payments on the new loans payable up to December 27, 2008. Consequently, Nucleo s outstanding debt amounted to US$9 million with a maturity dates on December 27, 2008 and March 27, 2009. Additional information is given in Note 17.

9. Shareholders equity

(a) Common stock

At December 31, 2005, the Company has 502,034,299 authorized, issued and outstanding shares of $1 par value Class A Common Stock, 436,413,941 shares of $1 par value Class B Common Stock and 45,932,738 shares of $1 par value Class C Common Stock. Common stockholders are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders.

The Company s shares are authorized by the CNV, the BCBA and the New York Stock Exchange (NYSE) for public trading. Only a portion of Class B shares are traded since Nortel owns all of the outstanding Class A shares and 36,832,408 Class B shares; and Class C shares are dedicated to the employee stock ownership program, as described below.

Class B shares began trading on the BCBA on March 30, 1992. On December 9, 1994, these shares began trading on the NYSE under the ticker symbol TEO upon approval of the Exchange Offer by the SEC. Pursuant to the Exchange Offer, holders of ADRs or ADS which were restricted under Rule 144-A and holders of GDR issued under Regulation S exchanged their securities for unrestricted ADS, each ADS representing 5 Class B shares. Class B also began trading on the Mexican Stock Exchange on July 15, 1997.

(b) Restrictions on distribution of profits

The Company is subject to certain restrictions on the distribution of profits. Under the Argentine Commercial Law, the by-laws of the Company and rules and regulations of the CNV, a minimum of 5% of net income for the year calculated in accordance with Argentine GAAP, plus/less previous years adjustments and, if any, considering the absorption of accumulated losses, must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock accounts).

(c) Share ownership program

In 1992, a decree from the Argentine Government, which provided for the creation of the Company upon the privatization of ENTel, established that 10% of the capital stock then represented by 98,438,098 Class C shares was to be included in the *Programa de Propiedad Participada* or PPP (an employee share ownership program sponsored by the Argentine Government). Pursuant to the PPP, the Class C shares were held by a trustee for the benefit of former employees of the state-owned company who remained employed by the Company and who elected to participate in the plan.

In 1999, a decree of the Argentine Government eliminated the restrictions on some of the Class C shares held by the Trust, although it excluded 45,932,738 Class C shares subject to an injunction against their use. On March 14, 2000, a shareholders meeting of the Company approved the conversion of up to unrestricted 52,505,360 Class C shares into Class B shares. In May 2000, the employees sold 50,663,377 shares through an international and national bid.

In September 2002, the Trustor requested the Company to take all necessary actions in order to effect the conversion of the shares held in the Trust which had been released from the injunction, to Class B shares.

F-34

9. Shareholders equity

9. Shareholders equity (continued)

The Company requested the Trustor to obtain judicial approval to permit the shareholders meeting to effect the conversion of the total amount of Class C shares to Class B shares in order to avoid calling for successive shareholders meetings every time restrictions on the shares are released for conversion. The Trustor informed the Company that a judicial resolution in favor of the total conversion had not been granted. The Company has also indicated that it is necessary to reach an agreement with the PPP for a timely and orderly sale of the converted Class B shares, because the sale of an inappropriate number of Class B shares could affect the price of the Class B shares.

In November 2003, the PPP lacked a legal representative. In March 2004, a judicial resolution nullified the intervention of the PPP and notified the Ministry of Labor and Social Security to call for elections in order to establish the Executive Committee of the PPP. The Meeting held on September 6, 2005, established this Committee with the purpose of the release of the injunction against 40,093,990 shares held in the Trust, in order to effect the conversion to Class B shares.

(d) Mandatory reduction of capital

Under section 206 of the Argentine Companies Law and CNV resolutions, if at the annual shareholders meeting, a company s accumulated losses have absorbed its reserves and at least 50% of its adjusted share capital, a company is required to reduce its capital stock.

The requirements of section 206 were temporarily suspended by governmental decrees until December 10, 2005.

Since the Company reported significant accumulated losses for the year ended December 31, 2005, which absorbed the Company s reserves and significantly reduced its shareholders equity, the Company qualified for mandatory reduction of its capital stock. Accordingly, the Board of Directors will propose to the shareholders that they vote to absorb the Company s legal reserve for an amount of $277 and a portion of the inflation adjustment of common stock for an amount of $356 in order to remediate this situation.

This absorption does not affect the total Shareholders equity and only represents a qualitative variation.

10. Income tax

Income tax (expense) benefit for the years ended December 31, 2005, 2004 and 2003 consists of the following:

	Years ended December 31, 2005	2004	2003
Current tax expense	$ (i) (35)	$ (1)	$ -
Deferred tax (expense) benefit	(504)	223	(112)
Valuation allowance	417	(248)	119
Income tax (expense) benefit, net	**$ (ii)(122)**	**$ (iii)(26)**	**$ 7**

(i) Corresponds $(25) to Telecom Argentina, $(8) to Nucleo and $(2) to Publicom.

(ii) Corresponds $(219) to Telecom Argentina, $104 to Personal, $(4) to Nucleo and $(3) to Publicom.

(iii) Corresponds $(2) to Publicom, $(6) to Personal and $(18) to Nucleo.

The Company accounts for income taxes in accordance with the guidelines of RT 17. RT 17 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax based assets and liabilities and are measured using the enacted tax rates.

The tax effects of temporary differences that give rise to significant portions of the Company s deferred tax assets and liabilities are presented below:

	As of December 31, 2005 Telecom	Personal	Núcleo	Publicom	Total	As of December 31, 2004

Tax loss carryforwards	$ 780	$ 192	$ -	$ 2	$ 974	$ 1,573
Foreign exchange gains and losses	63	17	-	-	80	161
Allowance for doubtful accounts	43	22	-	2	67	78
Provision for contingencies	71	52	-	4	127	82
Other deferred tax assets	50	9	-	-	59	241
Total deferred tax assets	**1,007**	**292**	**-**	**8**	**1,307**	**2,135**
Fixed assets	(145)	(65)	2	-	(208)	(293)
Inflation adjustments(i)	(780)	(129)	(4)	-	(913)	(1,152)
Total deferred tax liabilities	(925)	(194)	(2)	-	(1,121)	(1,445)
Subtotal deferred tax assets (liabilities)	**82**	**98**	**(2)**	**8**	**186**	**690**
- Valuation allowance	(276)	-	-	(2)	(278)	(ii)(695)
Net deferred tax assets (liabilities) As of December 31, 2005	**$ (194)**	**$ 98**	**$ (2)**	**$ 6**	**$ (92)**	
Net deferred tax assets (liabilities) As of December 31, 2004	**$ -**	**$ (6)**	**$ (6)**	**$ 7**		**$ (5)**

(i) Mainly relate to inflation adjustment on fixed assets, intangibles and other assets for financial reporting purposes.

(ii) Corresponded to the Company.

F-35

10. Income tax (continued)

Income tax expense for the years ended December 31, 2005, 2004 and 2003 differed from the amounts computed by applying the Company s statutory income tax rate to pre-tax income (loss) as a result of the following:

	Years ended December 31, 2005	2004	2003
Income tax (expense) benefit at statutory income tax rate on pretax income (loss)	$ (512)	$ 225	$ (128)
Non taxable items	(2)	(3)	16
Tax payable(i)	(25)	-	-
Change in valuation allowance	417	(248)	119
Income tax expense	**$ (122)**	**$ (26)**	**$ 7**

(i) Includes $(24) for National Fiscal Court s unfavorable resolutions to Telecom corresponding to periods prior to 2005.

As of December 31, 2005, the Company has accumulated operating tax loss carryforwards of $974. The following table details the operating tax loss carryforwards segregated by company and expiration date:

Expiration year	Telecom Argentina	Personal	Publicom	Total consolidated
2007	748	159	-	907
2008	-	-	2	2
2009	32	-	-	32
2010	-	33	-	33
Total	**780**	**192**	**2**	**974**

Decree No. 2,568/02 of the Argentine Government prescribed that foreign currency exchange losses arising from holding foreign-currency denominated assets and liabilities existing as of January 6, 2002, had to be determined using an exchange rate of $1.40 to US$1. The resulting net foreign currency exchange loss from this calculation procedure was to be considered deductible for income tax purposes at a rate of 20% per year commencing in fiscal year 2002. As of December 31, 2002, the exchange rate was $3.37 to US$1. Therefore, pursuant to the terms of the Decree, the difference between $1.4 and $3.37 was to be deducted entirely for income tax purposes in fiscal year 2002. However, the Company and its tax advisors had interpreted the Decree to require the entire amount ($3.37 minus $1) to be deducted for income tax purposes at a rate of 20% per year commencing in fiscal year 2002 through fiscal year 2006.

The Company provides a valuation allowance for deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based on a number of factors, including the Argentine Government s interpretation of the Decree as described above, the current expiration period of tax loss carryforwards (5 years) and the fact that the Company anticipates insufficient future taxable income over the periods in which tax assets can be applied, management believes that there is sufficient uncertainty regarding the realization of a portion of its deferred tax assets that, as of December 31, 2005, a valuation allowance for an amount of $276 has been provided for Telecom Argentina s related deferred tax assets.

Impact of inflation adjustments on fixed assets

Under Argentine GAAP, there are currently two approaches to the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements.

Under one approach, the FACPCE, in line with IFRS and US GAAP, reached a consensus that when preparing financial statements restated for general price-level changes, temporary differences under RT 17 are determined based on the difference between the price-level restated amount of assets reported in the financial statements and the related tax basis amounts. Accordingly, following the guidelines of RT 17 and related interpretations, the Company has treated the differences between the tax basis and indexed book basis of non-monetary items as temporary from year 2002.

Under a second approach, the CPCECABA reached a consensus that differences between the tax basis and the related indexed amounts of fixed assets would be considered permanent rather than temporary differences.

In order to comply with applicable rules and regulations, in May 2003, the Company consulted with the CNV and requested the regulatory authority to issue a statement on the subject, so as to permit the Company to give proper accounting effect in these financial statements. As of the date of these financial statements, the CNV has not yet addressed the issue.

10. Income tax (continued)

In August 2005, the CPCECABA approved the RT and related interpretations issued by the FACPCE. The CPCECABA resolution permits entities who have recorded the difference between the tax basis and the indexed amounts of fixed assets as permanent to (i) continue treating the difference as permanent or (ii) treating the difference as temporary. Entities who have originally recorded the difference between the tax basis and the indexed amounts of fixed assets as temporary are not allowed the optional treatment. CNV Resolutions No. 485/05 and 487/06 adopted the new accounting standard which will be effective for the Company as from January 1, 2006. Since the Company has treated the difference as temporary, the application of the new accounting standard will not have an impact in the Company s financial position or results of operations.

11. Commitments and contingencies

(a) Purchase commitments

The Company has entered into various purchase commitments amounting in the aggregate to approximately $206 as of December 31, 2005, primarily related to the supply of switching equipment, maintenance and repair of public phones, infrastructure agreements, inventory and other service agreements.

(b) Investment commitments

In August 2003, Telecom Argentina was notified by the SC of a proposal for the creation of a $70-million fund (the *Complejo Industrial de las Telecomunicaciones 2003* or 2003 Telecommunications Fund) to be funded by the major telecommunication companies and aimed at developing the telecommunications sector in Argentina. Banco de Inversion y Comercio Exterior (BICE) was designated as Trustee of the Fund.

In November 2003, the Company contributed $1.5 at the inception of the Fund. In addition, management announced that it is the Company s intention to promote agreements with local suppliers which would facilitate their access to financing.

(c) Contingencies

The Company is a party to several civil, tax, commercial and labor proceedings and claims that have arisen in the ordinary course of its business. The Company has established reserves for an aggregate amount of $305 to cover potential losses under these claims.

In addition, the Company is subject to other claims and legal actions that have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company s management, based upon the information available at this time and consultation with external and internal legal counsel, that the expected outcome of these other claims and legal actions, individually or in the aggregate, will not have a material effect on the Company s financial position or results of operations. Accordingly, no reserves have been established for the outcome of these actions.

Below is a summary of the most significant other claims and legal actions for which reserves have not been established:

Labor proceedings

Based on a legal theory of successor company liability, Telecom Argentina has been named as a co-defendant with ENTel in several labor lawsuits brought by former employees of ENTel against the state-owned company. The Transfer Agreement provided that ENTel and the Argentine Government, and not the Company, are liable for all amounts owed in connection with claims brought by former ENTel employees, whether or not such claims were made prior to the Transfer Date, if the events giving rise to such claims occurred prior to the Transfer Date.

ENTel and the Argentine Government have agreed to indemnify and hold the Company harmless in respect of such claims. Under current Argentine legislation, the Argentine Government may settle any amounts payable to the Company for these claims through the issuance of treasury bonds. As of December 31, 2005, total claims in these labor lawsuits amounted to $17.

11. Commitments and contingencies (continued)

Tax matters

In December 2000, Telecom Argentina received notices from the AFIP of proposed adjustments to income taxes for the fiscal years 1993 through 1999 based on Telecom Argentina s criteria for calculating depreciation of its fiber optic network. In May 2005, Telecom Argentina was notified of the National Fiscal Court s unfavorable resolution which ratified the AFIP tax assessment relating to additional taxes and interest, although it excluded penalties. Accordingly, in July 2005, Telecom Argentina paid $9.4 in principal and $24.8 in interest.

Under Argentine GAAP, the above referenced payment does not meet the criteria to be recognized as a tax credit. Thus, Telecom Argentina has recorded a charge to income taxes of $9.4 and financial results, net (interest generated by liabilities) of $24.8 in the statement of income.

Telecom Argentina has a contingent receivable against the National Government amounting to $34.2 which Telecom Argentina estimates it would recover through government bonds in the event judicial appeals are sustained in its favor.

Additionally, in December 2001, Telecom Argentina received notices from the AFIP of proposed adjustments to income taxes based on the amortization period utilized by Telecom Argentina to depreciate its optic fiber network in Telintar s submarine cables. Telintar was dissolved and merged in equal parts into Telecom Argentina Internacional S.A. and Telefonica Larga Distancia de Argentina S.A., entities controlled by Telecom Argentina and Telefonica, respectively. Telecom Argentina Internacional S.A. was subsequently merged with and into Telecom Argentina in September 1999.

In July 2005, the National Fiscal Court resolved against Telecom Argentina ratifying the tax assessment relating to additional taxes, although it excluded interest and penalties. On the same grounds as described in the second paragraph above, as of June 30, 2005, Telecom Argentina recorded a current tax liability amounting to $0.5 against income taxes in the statement of income.

Telecom Argentina together with its legal counsel believes it has meritorious legal defenses to these unfavorable judgments. As of the date of these financial statements, Telecom Argentina appealed the first sentence issued by the National Fiscal Court and plans to appeal the second judgment in the short term.

In spite of the unfavorable judgments, Telecom Argentina believes that the ultimate outcome of these cases will not result in an incremental adverse impact on Telecom Argentina s results of operations and financial condition.

Other claims

Consumer Trade Union Proceedings

In November 1995, Telecom Argentina, together with Telefonica de Argentina, Telintar and the Argentine Government were named as defendants in a lawsuit filed in Argentine federal courts by a consumer activist group. The complaints in this lawsuit contend that consumers have been injured because of the application of unjustified tariffs for the provision of fixed line services. Plaintiffs are seeking damages, an injunction against the reduction of tariffs, disgorgement of all monies that the defendants have earned through the charge of the alleged abusive tariffs and a cap of 16% on the Company´s annual rate of return on its fixed assets. The court has rejected some of the claims but agreed to a stay of the others pending the outcome of the appeal.

In October 2001, the court awarded the plaintiffs an injunction enjoining the indexing of tariffs by the U.S. C.P.I. as permitted by the Transfer Agreement pending a final resolution in the case. Telecom Argentina vigorously appealed this decision. Hearings on the case are currently in process. Telecom Argentina believes the claims have no merit. Telecom Argentina cannot predict the outcome of this case, or reasonably estimate a range of possible loss given the current status of the litigation.

11. Commitments and contingencies (continued)

Upon the extension of the exclusivity period for the provision of telecommunication services, the same consumer group filed a new lawsuit in Argentine federal courts against the service providers and the Argentine Government. Plaintiffs are seeking damages, an injunction against the revocation of licenses granted to telecommunication service providers and finalization of the exclusivity period. This case is at a preliminary stage, but Telecom Argentina does not believe it has merit and intends to contest it vigorously. Telecom Argentina is unable, however, to predict the outcome of this case, or reasonably estimate a range of possible loss given the current status of the litigation.

Users and Consumer Trade Union Proceedings

In August 2003, another consumer group filed suit against Telecom Argentina in Argentine federal court alleging the unconstitutionality of certain resolutions issued by the SC. These resolutions had amended a prior resolution which prescribed the way service providers had to refund customers for additional charges included in monthly fixed-line service fees. The amendment was intended to establish another method of refunding customers due to practical reasons. Telecom Argentina complied with the amended resolution and provided refunds to customers. The case is at a preliminary stage, but Telecom Argentina does not believe it has merit and will contest it vigorously. Telecom Argentina is unable, however, to predict the outcome of the case, or reasonably estimate a range of possible loss given the current status of the litigation.

Management of the Company believes that none of the matters discussed above will have a material adverse effect on the Company s results of operations, liquidity or financial condition.

Certain amounts deposited in the Company s bank accounts have been restricted as to their use due to some judicial proceedings. As of December 31, 2005, these restricted funds totaled $15. The Company has reclassified these balances to other receivables on the Company s balance sheet.

12. Segment information

Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for management. Under this definition, the Company conducts its business through seven legal entities which represent seven operating segments. Under Argentine GAAP, these operating segments have been aggregated into reportable segments according to the nature of the products and services provided. The Company manages its segments to the net income (loss) level of reporting.

Telecom Argentina and its subsidiaries conform the following reportable segments:

Reportable segment	**Consolidated company/ Operating segment**
Voice, data and Internet	Telecom Argentina
	Telecom Argentina USA
	Micro Sistemas(i)
Wireless	Personal
	Nucleo
	Cable Insignia(ii)
Directories publishing	Publicom

(i) Dormant entity at December 31, 2005.

(ii) Dormant entity. In process of liquidation.

The accounting policies of the operating segments are the same as those described in Note 4. Intercompany sales have been eliminated.

F-39

12. Segment information (continued)

For the years ended December 31, 2005, 2004 and 2003, more than 90 percent of the Company s revenues were from services provided within Argentina. More than 95% of the Company s fixed assets are in Argentina. Segment financial information was as follows:

For the year ended December 31, 2005

- ***Income statement information***

	Voice, data and Internet (a)	**Wireless Personal**	**Nucleo**	**Subtotal**	**Directories publishing**	**Total**
Services	2,871	2,254	211	2,465	50	**5,386**
Handsets	-	322	10	332	-	**332**
Net sales	**2,871**	**2,576**	**221**	**2,797**	**50**	**5,718**
Salaries and social security	(558)	(99)	(14)	(113)	(14)	**(685)**
Taxes	(165)	(223)	(6)	(229)	(1)	**(395)**
Maintenance, materials and supplies	(207)	(69)	(10)	(79)	(19)	**(305)**
Bad debt expense	(5)	(22)	(1)	(23)	(1)	**(29)**
Interconnection costs	(144)	-	-	-	-	**(144)**
Cost of international outbound calls	(94)	-	-	-	-	**(94)**
Lease of circuits	(30)	(11)	(7)	(18)	-	**(48)**
Fees for services	(79)	(74)	(5)	(79)	-	**(158)**
Advertising	(41)	(100)	(9)	(109)	(2)	**(152)**
Cost of wireless handsets	-	(602)	(11)	(613)	-	**(613)**
Agent commissions and distribution of prepaid cards commissions	(17)	(343)	(26)	(b)(369)	-	**(386)**
Other commissions	(39)	(40)	(1)	(41)	(2)	**(82)**
Roaming	-	(114)	(1)	(115)	-	**(115)**
Charges for termination of calls coming from other cellular operators (TLRD)	-	(251)	(20)	(271)	-	**(271)**
Others	(119)	(98)	(19)	(117)	(3)	**(239)**
Operating income before depreciation and amortization	**1,373**	**530**	**91**	**621**	**8**	**2,002**
Depreciation of fixed assets	(1,075)	(337)	(41)	(378)	(1)	**(1,454)**
Amortization of intangible assets	(9)	(20)	(15)	(35)	-	**(44)**
Operating income	**289**	**173**	**35**	**208**	**7**	**504**
Equity gain from related companies	7	-	-	-	-	**7**
Financial results, net	(117)	(188)	(3)	(191)	2	**(306)**
Other (expenses) income, net	(111)	(52)	1	(51)	(3)	**(165)**
Gain on debt restructuring	1,424	-	-	-	-	**1,424**
Net income (loss) before income tax and minority interest	**1,492**	**(67)**	**33**	**(34)**	**6**	**1,464**
Income tax	(219)	104	(4)	100	(3)	**(122)**
Minority interest	-	-	(8)	(8)	-	**(8)**
Net income	**1,273**	**37**	**21**	**58**	**3**	**1,334**

(a) Includes net sales of $29, operating income before depreciation of $14, operating profit of $13 and net income of $13 corresponding to Telecom Argentina USA. Also includes a net loss of $1 corresponding to Micro Sistemas.

(b) Includes $276 corresponding to agent commissions ($260 corresponding to Personal and $16 corresponding to Nucleo).

- ***Balance sheet information***

Fixed assets, net	4,513	1,278	167	1,445	1	**5,959**
Intangible assets, net	91	644	26	670	3	**764**
Capital expenditures in fixed assets(c)	260	261	32	293	-	**553**
Capital expenditures in intangible assets	19	-	-	-	-	**19**
Depreciation of fixed assets	(1,075)	(337)	(41)	(378)	(1)	**(1,454)**
Amortization of intangible assets	(12)	(21)	(15)	(36)	-	**(48)**
Net financial debt	(3,062)	(1,163)	(36)	(1,199)	2	**(4,259)**

(c) Not including materials and asset retirement obligations.

- ***Cash flow information***

Cash flows provided by operating activities	**1,458**	**391**	**116**	**507**	**2**	**1,967**
Cash flows from investing activities:						
Acquisition of fixed assets and intangible assets	(296)	(264)	(20)	(284)	(1)	**(581)**
Decrease in investments not considered as cash and cash equivalents	668	-	-	-	-	**668**
Total cash flows provided by (used in) investing activities	**372**	**(264)**	**(20)**	**(284)**	**(1)**	**87**
Cash flows from financing activities:						
Debt proceeds	-	1,236	-	1,236	-	**1,236**
Payment of debt	(3,432)	(1,165)	(87)	(1,252)	-	**(4,684)**
Payment of interest and debt-related expenses	(805)	(132)	(7)	(139)	-	**(944)**
Total cash flows used in financing activities	**(4,237)**	**(61)**	**(94)**	**(155)**	**-**	**(4,392)**
Increase (decrease) in cash and cash equivalents	(2,407)	66	2	68	1	**(2,338)**
Cash and cash equivalents at the beginning of year	2,850	88	1	89	1	**2,940**
Cash and cash equivalents at year-end	**443**	**154**	**3**	**157**	**2**	**602**

12. Segment information (continued)

For the year ended December 31, 2004

- ***Income statement information***

	Voice, data and Internet (a)	Wireless Personal	Nucleo	Subtotal	Directories publishing	Total
Services	2,718	1,431	166	1,597	43	**4,358**
Handsets	-	135	1	136	-	**136**
Net sales	**2,718**	**1,566**	**167**	**1,733**	**43**	**4,494**
Salaries and social security	(491)	(80)	(10)	(90)	(12)	**(593)**
Taxes	(148)	(144)	(8)	(152)	(1)	**(301)**
Maintenance, materials and supplies	(184)	(28)	(6)	(34)	(15)	**(233)**
Bad debt expense	8	(11)	(1)	(12)	(1)	**(5)**
Interconnection costs	(135)	-	-	-	-	**(135)**
Cost of international outbound calls	(82)	-	-	-	-	**(82)**
Lease of circuits	(34)	(8)	(4)	(12)	-	**(46)**
Fees for services	(81)	(18)	(2)	(20)	(1)	**(102)**
Advertising	(27)	(57)	(7)	(64)	(2)	**(93)**
Cost of wireless handsets	-	(233)	(4)	(237)	-	**(237)**
Agent commissions and distribution of prepaid cards commissions	(18)	(139)	(20)	(b)(159)	-	**(177)**
Other commissions	(36)	(23)	(2)	(25)	-	**(61)**
Roaming	-	(65)	-	(65)	-	**(65)**
Charges for TLRD	-	(124)	(13)	(137)	-	**(137)**
Others	(109)	(58)	(13)	(71)	(1)	**(181)**
Operating income before depreciation and amortization	**1,381**	**578**	**77**	**655**	**10**	**2,046**
Depreciation of fixed assets	(1,233)	(281)	(35)	(316)	(3)	**(1,552)**
Amortization of intangible assets	(48)	(28)	(17)	(45)	(1)	**(94)**
Operating income	**100**	**269**	**25**	**294**	**6**	**400**
Equity loss from related companies	-	-	-	-	(2)	**(2)**
Financial results, net	(989)	(166)	(18)	(184)	1	**(1,172)**
Other (expenses) income, net	(68)	(11)	1	(10)	-	**(78)**
Gain on debt restructuring	(21)	223	7	230	-	**209**
Net income (loss) before income tax and minority interest	**(978)**	**315**	**15**	**330**	**5**	**(643)**
Income tax	-	(6)	(18)	(24)	(2)	**(26)**
Minority interest	-	-	3	3	-	**3**
Net income (loss)	**(978)**	**309**	**-**	**309**	**3**	**(666)**

(a) Includes net sales of $38, operating income before depreciation of $14, operating profit of $13 and net income of $13 corresponding to Telecom Argentina USA.

(b) Includes $107 corresponding to agent commissions ($94 corresponding to Personal and $13 corresponding to Nucleo).

- ***Balance sheet information***

Fixed assets, net	5,387	1,352	155	1,507	1	**6,895**
Intangible assets, net	84	648	38	686	3	**773**
Capital expenditures in fixed assets(c)	159	232	34	266	-	**425**
Capital expenditures in intangible assets	24	-	-	-	-	**24**

Depreciation of fixed assets	(1,233)	(281)	(35)	(316)	(3)	**(1,552)**
Amortization of intangible assets	(50)	(29)	(19)	(48)	(1)	**(99)**
Net financial debt	(5,842)	(1,044)	(106)	(1,150)	1	**(6,991)**

(c) Not including materials and asset retirement obligations.

- ***Cash flow information***

Cash flows provided by (used in) operating activities	**1,754**	**366**	**81**	**447**	**(1)**	**2,200**
Cash flows from investing activities:						
Acquisition of fixed assets and intangible assets	(208)	(233)	(32)	(265)	-	**(473)**
(Increase) decrease in investments not considered as cash and cash equivalents	(465)	69	18	87	-	**(378)**
Total cash flows used in investing activities	**(673)**	**(164)**	**(14)**	**(178)**	**-**	**(851)**
Cash flows from financing activities:						
Payment of debt	-	(381)	(90)	(471)	-	**(471)**
Payment of interest and debt-related expenses	(17)	(116)	(21)	(137)	-	**(154)**
Total cash flows used in financing activities	**(17)**	**(497)**	**(111)**	**(608)**	**-**	**(625)**
Increase (decrease) in cash and cash equivalents	1,064	(295)	(44)	(339)	(1)	**724**
Cash and cash equivalents at the beginning of year	1,786	383	45	428	2	**2,216**
Cash and cash equivalents at year-end	**2,850**	**88**	**1**	**89**	**1**	**2,940**

F-41

12. Segment information (continued)

For the year ended December 31, 2003

- ***Income statement information***

	Voice, data and Internet (a)	Wireless Personal	Nucleo	Subtotal	Directories publishing	Total
Services	2,556	989	158	1,147	34	**3,737**
Handsets	-	15	1	16	-	**16**
Net sales	**2,556**	**1,004**	**159**	**1,163**	**34**	**3,753**
Salaries and social security	(424)	(64)	(10)	(74)	(8)	**(506)**
Taxes	(150)	(102)	(4)	(106)	-	**(256)**
Maintenance, materials and supplies	(117)	(27)	(6)	(33)	(14)	**(164)**
Bad debt expense	3	(8)	(2)	(10)	(4)	**(11)**
Interconnection costs	(136)	-	-	-	-	**(136)**
Cost of international outbound calls	(76)	-	-	-	-	**(76)**
Lease of circuits	(29)	(3)	(6)	(9)	-	**(38)**
Fees for services	(83)	(9)	(4)	(13)	(2)	**(98)**
Advertising	(23)	(14)	(6)	(20)	(1)	**(44)**
Cost of wireless handsets	-	(22)	-	(22)	-	**(22)**
Agent commissions and distribution of prepaid cards commissions	(21)	(60)	(15)	(b)(75)	-	**(96)**
Other commissions	(36)	(20)	(8)	(28)	-	**(64)**
Roaming	-	(39)	-	(39)	-	**(39)**
Charges for TLRD	-	(51)	(11)	(62)	-	**(62)**
Others	(100)	(45)	(10)	(55)	(2)	**(157)**
Operating income before depreciation and amortization	**1,364**	**540**	**77**	**617**	**3**	**1,984**
Depreciation of fixed assets	(1,436)	(288)	(39)	(327)	(5)	**(1,768)**
Amortization of intangible assets	(63)	(32)	(14)	(46)	-	**(109)**
Operating income (loss)	**(135)**	**220**	**24**	**244**	**(2)**	**107**
Equity gain from related companies	-	-	-	-	2	**2**
Financial results, net	(132)	134	34	168	12	**48**
Other expenses, net	(121)	(37)	-	(37)	(10)	**(168)**
Gain on debt restructuring	280	90	-	90	6	**376**
Net income (loss) before income tax and minority interest	**(108)**	**407**	**58**	**465**	**8**	**365**
Income tax	-	-	11	11	(4)	**7**
Minority interest	-	-	(21)	(21)	-	**(21)**
Net income (loss)	**(108)**	**407**	**48**	**455**	**4**	**351**

(a) Includes net sales of $34, operating income before depreciation of $17, operating profit of $17 and net income of $17 corresponding to Telecom Argentina USA.

(b) Includes $38 corresponding to agent commissions ($26 corresponding to Personal and $12 corresponding to Nucleo).

- ***Balance sheet information***

Fixed assets, net	6,443	1,405	149	1,554	4	**8,001**
Intangible assets, net	110	677	54	731	4	**845**
Capital expenditures in fixed assets(c)	52	53	15	68	-	**120**
Capital expenditures in intangible assets	-	2	2	4	-	**4**

Depreciation of fixed assets	(1,436)	(288)	(39)	(327)	(5)	**(1,768)**
Amortization of intangible assets	(67)	(32)	(16)	(48)	-	**(115)**
Net financial debt	(6,220)	(1,209)	(152)	(1,361)	1	**(7,580)**

(c) Not including materials and asset retirement obligations.

• ***Cash flow information***

Cash flows provided by operating activities	**1,521**	**427**	**72**	**499**	**7**	**2,027**
Cash flows from investing activities:						
Acquisition of fixed assets and intangible assets	(91)	(61)	(16)	(77)	-	**(168)**
Increase in investments not considered as cash and cash equivalents	(85)	(74)	(18)	(92)	-	**(177)**
Total cash flows used in investing activities	**(176)**	**(135)**	**(34)**	**(169)**	**-**	**(345)**
Cash flows from financing activities:						
Decrease in debt	-	-	(11)	(11)	-	**(11)**
Repurchase of debt	(328)	(87)	-	(87)	(7)	**(422)**
Payment of interest and debt-related expenses	(295)	(36)	(16)	(52)	-	**(347)**
Inter-segment transfers of cash	5	(5)	-	(5)	-	**-**
Total cash flows used in financing activities	**(618)**	**(128)**	**(27)**	**(155)**	**(7)**	**(780)**
Increase in cash and cash equivalents	727	164	11	175	-	**902**
Cash and cash equivalents at the beginning of year	1,059	219	34	253	2	**1,314**
Cash and cash equivalents at year-end	**1,786**	**383**	**45**	**428**	**2**	**2,216**

13. Selected consolidated quarterly information (unaudited)

Quarter ended	Net sales	Operating income before depreciation and amortization	Operating income (loss)	Financial results, net (loss)/gain	Net (loss) income
***Year 2005*:**					
March 31,	1,237	508	142	175	279
June 30,	1,348	464	81	124	179
September 30,	1,472	509	124	(208)	1,165
December 31,	1,661	521	157	(397)	(289)
	5,718	**2,002**	**504**	**(306)**	**1,334**
***Year 2004*:**					
March 31,	1,017	494	65	95	124
June 30,	1,053	489	67	(393)	(354)
September 30,	1,141	499	76	(324)	(261)
December 31,	1,283	564	192	(550)	(175)
	4,494	**2,046**	**400**	**(1,172)**	**(666)**
***Year 2003*:**					
March 31,	851	453	(24)	961	907
June 30,	899	490	17	58	381
September 30,	961	504	31	(490)	(509)
December 31,	1,042	537	83	(481)	(428)
	3,753	**1,984**	**107**	**48**	**351**

14. Unconsolidated information

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 information supplementary 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. The tables below present unconsolidated financial statement information, as follows:

Balance sheets:

	As of December 31, 2005	As of December 31, 2004
ASSETS		
Current Assets		
Cash and banks	$ 38	$ 24
Investments	520	3,554
Accounts receivable, net	349	327
Other receivables	34	59
Other assets, net	2	-
Total current assets	**943**	**3,964**
Non-Current Assets		
Other receivables, net	169	134
Investments(i)	798	1,068
Fixed assets, net	4,510	5,385
Intangible assets, net	91	84
Other assets, net	21	-
Total non-current assets	**5,589**	**6,671**
TOTAL ASSETS	**$ 6,532**	**$ 10,635**
LIABILITIES		
Current Liabilities		
Accounts payable	$ 399	$ 315

Debt	819	9,418
Salaries and social security payable	92	69
Taxes payable	72	61
Other liabilities	29	21
Contingencies	54	11
Total current liabilities	**1,465**	**9,895**
Non-Current Liabilities		
Debt	2,802	-
Salaries and social security payable	30	33
Taxes payable	194	-
Other liabilities	64	62
Contingencies	141	143
Total non-current liabilities	**3,231**	**238**
TOTAL LIABILITIES	**$ 4,696**	**$ 10,133**
SHAREHOLDERS EQUITY	**$ 1,836**	**$ 502**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$ 6,532**	**$ 10,635**

(i) Includes $796 and $1,002 as of December 31, 2005 and 2004, respectively, corresponding to Telecom Argentina s equity interests in it s consolidated subsidiaries. As of December 31, 2005, includes $762 and $34, corresponding to Personal and Publicom, respectively. As of December 31, 2004, includes $970, $30, $1 and $1, corresponding to Personal, Publicom, Micro Sistemas and Telecom Argentina USA, respectively.

F-43

14. Unconsolidated information (continued)

Statements of income:

	Years ended December 31, 2005	2004	2003
Net sales	$ 3,113	$ 2,876	$ 2,672
Cost of services	(1,897)	(1,918)	(1,976)
Gross profit	**1,216**	**958**	**696**
General and administrative expenses	(150)	(139)	(133)
Selling expenses	(539)	(558)	(583)
Operating income	**527**	**261**	**(20)**
Equity gain (loss) from long-term investments(i)	(196)	173	334
Financial results, net	(97)	(1,016)	(125)
Other expenses, net	(105)	(63)	(118)
Gain on debt restructuring, net	1,424	(21)	280
Net income (loss) before income tax	**1,553**	**(666)**	**351**
Income tax, net	(219)	-	-
Net income (loss)	**$ 1,334**	**$ (666)**	**$ 351**

(i) The **equity gain (loss) from long-term investments** includes:

	Years ended December 31, 2005	2004	2003
Publicom	$ 4	$ 3	$ 6
Personal	(205)	170	327
Telecom Argentina USA	(1)	-	1
Micro Sistemas	(1)	-	-
Gain on sale of equity interest in Intelsat Ltd	7	-	-
Total	**$ (196)**	**$ 173**	**$ 334**

Condensed statements of cash flows:

	Years ended December 31, 2005	2004	2003
Cash flows provided by operating activities	**$ 1,445**	**$ 1,756**	**$ 1,527**
Cash flows from investing activities			
Acquisition of fixed and intangible assets	(294)	(206)	(91)
Decrease (increase) in investments not considered as cash and cash equivalents	751	(465)	(85)
Total cash flows provided by (used in) investing activities	**457**	**(671)**	**(176)**
Cash flows from financing activities			
Payment of debt	(3,432)	-	-
Repurchase of debt	-	-	(328)
Payment of interest and debt-related expenses	(805)	(17)	(295)
Total cash flows used in investing activities	**(4,237)**	**(17)**	**(623)**
(Decrease) increase in cash and cash equivalents	(2,335)	1,068	728
Cash and cash equivalents at the beginning of year	2,853	1,785	1,057
Cash and cash equivalents at year end	**$ 518**	**$ 2,853**	**$ 1,785**

15. Differences between Argentine GAAP and US GAAP

The Company s consolidated financial statements are prepared in accordance with Argentine GAAP, which differ in certain significant respects from US GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by US GAAP and Regulation S-X of the SEC.

I. Differences in measurement methods

Inflation accounting

As indicated in Note 3.c., in March 2003, the Argentine Government issued a decree prohibiting companies from restating financial statements for the effects of inflation and instructing the CNV to issue applicable regulations to ensure that no price-level restated financial statements are accepted. In April 2003, the CNV issued a resolution discontinuing inflation accounting as of March 1, 2003. As a result, the Company s consolidated financial statements include the effects of inflation until February 28, 2003. Comparative figures were also restated until that date. Since Argentine GAAP required companies to prepare price-level restated financial statements through September 30, 2003, the application of the CNV resolution represents a departure from Argentine GAAP.

Under US GAAP, financial statements are prepared on a historical cost basis. However, the following reconciliation does not include the reversal of the adjustments to the consolidated financial statements for the effects of inflation, because, as permitted by the SEC, it represents a comprehensive measure of the effects of price-level changes in the Argentine economy, and as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Argentine GAAP and US GAAP.

15. Differences between Argentine GAAP and US GAAP (Continued)

The principal differences, other than inflation accounting, between Argentine GAAP and US GAAP are described below, together with an explanation, where appropriate, of the method used in the determination of the necessary adjustments.

	Years ended December 31, 2005	2004	2003
Reconciliation of net income (loss):			
Total net income (loss) under Argentine GAAP	**$ 1,334**	**$ (666)**	**$ 351**
US GAAP adjustments:			
Foreign currency translation (a)	(10)	9	(53)
Capitalization of foreign currency exchange differences (b.1)	29	6	78
Capitalization of foreign currency exchange differences (b.2)	100	117	118
Debt Restructurings (c)	(1,230)	(235)	-
Extinguishment of Personal s restructured debts (d)	165	-	-
Personal Pre-APE Debt Restructurings (e)	-	20	23
Other adjustments (f)	(5)	(6)	6
Tax effects on US GAAP adjustments (g.1)	328	34	(79)
Valuation allowance (g.2)	424	(60)	24
Minority interest (h)	3	(1)	17
Net income (loss) under US GAAP	**$ 1,138**	**$ (782)**	**$ 485**

	As of December 31, 2005	2004	2003
Reconciliation of shareholders equity:			
Total shareholders equity under Argentine GAAP	**$ 1,836**	**$ 502**	**$ 1,168**
US GAAP adjustments:			
Foreign currency translation (a)	39	47	38
Capitalization of foreign currency exchange differences (b.1)	(784)	(813)	(819)
Capitalization of foreign currency exchange differences (b.2)	470	370	253
Debt Restructurings (c)	(1,300)	(235)	-
Personal Pre-APE Debt Restructurings (e)	-	-	(20)
Other adjustments (f)	3	1	7
Tax effects on US GAAP adjustments (g.1)	565	239	205
Valuation allowance (g.2)	-	(424)	(364)
Minority interest (h)	(10)	(13)	(12)
Shareholders equity (deficit) under US GAAP	**$ 819**	**$ (326)**	**$ 456**

	Years ended December 31, 2005	2004	2003
Description of changes in shareholders equity under US GAAP:			
Shareholders (deficit) equity as of the beginning of the year	**$ (326)**	**$ 456**	**$ (10)**
Other comprehensive income (loss)	7	-	(19)
Net income (loss) under US GAAP	1,138	(782)	485
Shareholders equity (deficit) as of the end of the year	**$ 819**	**$ (326)**	**$ 456**

a) Foreign currency translation

As indicated in Note 4.a., under Argentine GAAP, the financial statements of the Company s foreign subsidiaries are translated using period-end exchange rates for assets, liabilities and results of operations. Translation adjustments are accumulated and reported as a separate line item between the liability and equity sections of the balance sheet.

Under US GAAP, the financial statements of the Company s foreign subsidiaries are translated into Argentine pesos following the guidelines established in Statement of Financial Accounting Standards (SFAS) No.52, *Foreign Currency Translation* (SFAS No.52). Under SFAS No.52, in the case of foreign subsidiaries whose local currency is not the functional currency, the monetary/non-monetary method of translation has been used to remeasure assets and liabilities to the functional currency prior to translation. This method involves the translation of monetary assets and liabilities at the exchange rate in effect at the end of each year, and the non-monetary assets and liabilities and equity at historical exchange rates (i.e., the exchange rates in effect when the transactions occur). Average exchange rates have been applied for the translation of the accounts that make up the results of the years, except for those charges related to non-monetary assets and liabilities, which have been translated using historical exchange rates. Translation adjustments are included in the statement of income. Once the assets and liabilities have been remeasured to the functional currency, the year-end current rate has been used to translate them to the reporting currency, the Argentine Peso for the Company. In this case, translation adjustments are recorded as a separate component of shareholders equity.

F-45

15. Differences between Argentine GAAP and US GAAP (Continued)

b) Capitalization of foreign currency exchange differences

b.1) Under Argentine GAAP, foreign currency exchange differences (gains or losses) generated on or after January 6, 2002 through July 29, 2003, in connection with foreign-currency denominated debts as of such dates were allocated to the cost of assets acquired or constructed with such financing, as long as a series of conditions and requirements were met. Under US GAAP, foreign currency exchange differences cannot be capitalized, and were expensed as incurred.

b.2) This adjustment represents the effect on accumulated depreciation and the depreciation for the years ended December 31, 2005, 2004 and 2003, of the adjustment described in b.1 above.

c) Debt Restructurings

As discussed in Note 8.2., Telecom Argentina completed the restructuring of its outstanding indebtedness in August 2005. In November 2004 Personal and Personal s subsidiary, Nucleo, completed the restructuring of their respective outstanding indebtedness. The restructuring of Telecom Argentina, Personal and Nucleo´s (referred hereinafter to as the entities) outstanding indebtedness are collectively referred hereinafter to as the Debt Restructurings . The Debt Restructurings involved (i) the full settlement of certain outstanding loans of the entities and (ii) the combination of a partial debt settlement and a refinancing of the remaining outstanding loans of the entities with modified terms. In connection with (ii), the entities issued new debt instruments.

Under Argentine GAAP, during the year ended December 31, 2005, Telecom Argentina recorded a net pre-tax gain on debt restructuring of $1,424. In the fourth quarter of 2004, Personal and Nucleo recorded a net pre-tax gain on debt restructuring of $230. Under Argentine GAAP, the new debt instruments issued by the entities were recorded at estimated present value at each restructuring date. The new debt instruments are subsequently accreted to their respective face value using the interest method. Loss on accretion is recorded in the statement of income. For the year ended December 31, 2005, Telecom Argentina recorded a $75 loss on accretion. Personal recorded a $1 loss on accretion for the year ended December 31, 2004 and a $41 loss on accretion from January 1, 2005 through December 22, 2005, the date on which Personal s restructured debt was extinguished (See Note 15.d. below for details).

Under US GAAP, the entities performed an analysis under both SFAS No.15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings* and EITF 02-04, *Debtors Accounting for a Modification or an Exchange of Debt Instruments in accordance with SFAS 15* , to assess whether the Debt Restructurings represented troubled debt restructurings. Following the EITF 02-04 guidance, the entities concluded that the Debt Restructurings were in fact troubled debt restructurings since (i) the entities were in financial difficulties and (ii) creditors had granted them a concession. The concessions resulted primarily from the partial discount on principal and accrued interest, extension of maturity and full forgiveness of penalty interest. Accordingly, under US GAAP, the Debt Restructurings were accounted for as (i) a full settlement of certain outstanding loans with cash and (ii) a combination of a partial debt settlement and a continuation of debt with modified terms.

For those outstanding loans which were fully settled, there was no difference in measurement basis between Argentine GAAP and US GAAP. Under both Argentine GAAP and US GAAP the gain on debt restructuring was measured by the excess of the carrying amount of the payables over the cash surrendered.

For those outstanding loans which were restructured by a partial cash settlement and the issuance of new debt instruments with modified terms, SFAS No.15 required an assessment of the total future cash payments specified by the new terms of the debt, including principal, and interest (and contingent payment, if applicable) on a payable-by-payable basis. Under SFAS No.15, no gain on restructuring is recognized unless the remaining carrying amount of the debt exceeds the total future cash payments specified by the new terms.

Accordingly, for those restructured loans where their carrying value did not exceed the total future cash payments specified by the terms of the new instruments, no gain was recognized under US GAAP as of the date of the Debt Restructurings. The carrying values of the loans are being reduced as payments are made. Interest expense is computed as the discount rate that equated the present value of the future cash payments specified by the new debt with the carrying amount of the original loans.

15. Differences between Argentine GAAP and US GAAP (Continued)

On the other hand, for those restructured loans where their total future cash payments specified by the new terms were less than the respective carrying amounts, then the carrying amounts were reduced to an amount equal to the total future cash payments specified by the new terms, and a gain on restructuring was recognized under US GAAP equal to the amount of the reduction. Thereafter, all cash payments under the new terms are accounted for as reductions of the carrying amount of the payables and no interest expense is recognized.

In summary, the US GAAP reconciling item reflects the (a) reversal of the loss on accretion recognized under Argentine GAAP, (b) reversal of a portion of gain on restructuring recognized under Argentine GAAP for those outstanding loans restructured by a partial cash settlement and the issuance of new debt instruments with modified terms, (c) reversal of the interest expense computed under Argentine GAAP and (d) the computation of the interest expense under US GAAP as described above.

The US GAAP reconciling item for the Debt Restructurings is comprised as follows:

Included in the reconciliation of net income (loss):

	Years ended December 31, 2005	**2004**
Reversal of loss on accretion recognized under Argentine GAAP(a)	$ 116	$ 1
Reversal of a portion of gain on restructuring recognized under Argentine GAAP(b).	(1,393)	(239)
Reversal of interest expense computed under Argentine GAAP(c)	200	12
Computation of interest expense under US GAAP(d)	(153)	(9)
Total US GAAP reconciling item for Debt Restructurings	**$ (1,230)**	**$ (235)**

Included in the reconciliation of shareholders´ equity:

	As of December 31, 2005	**2004**
Reversal of loss on accretion recognized under Argentine GAAP(a)	$ 117	$ 1
Reversal of a portion of gain on restructuring recognized under Argentine GAAP(b).	(1,632)	(239)
Reversal of interest expense computed under Argentine GAAP(c)	212	12
Computation of interest expense under US GAAP(d)	(162)	(9)
Extinguishment of Personal s restructured debts (Note 15.d)	165	-
Total US GAAP reconciling item for Debt Restructurings	**$ (1,300)**	**$ (235)**

Breakdown by entity	**As of December 31, 2005**	**2004**
Telecom Argentina	$ (1,293)	$ -
Personal	-	(225)
Nucleo	(7)	(10)
Total US GAAP reconciling item for Debt Restructurings	**$ (1,300)**	**$ (235)**

d) Extinguishment of Personal s restructured debts

As discussed in Note 8.3, on December 22, 2005, Personal issued three series of Notes and two term loan facilities, the net proceeds of which were used, together with available cash, to fully settle all amounts of principal and interest outstanding under Series A and Series B loans, which had been issued in November 2004 pursuant to Personal s debt restructuring (Personal s restructured debts).

As Personal s restructured debts were fully settled, under both Argentine GAAP and US GAAP, the Company derecognized such debts and recorded a result on extinguishment of liabilities which was measured by the difference between the carrying amount of the debts and the cash surrendered.

As discussed in Note 15.c. above, Personal s restructured debts had been accounted for under SFAS No.15 and EITF 02-04 under US GAAP. Accordingly, under US GAAP, the carrying amount of Personal s restructured debts as of the date of extinguishment differed from such amount under Argentine GAAP. This difference between the US GAAP carrying amount basis of Personal s restructured debts and the Argentine GAAP basis gave rise to a different gain on debt extinguishment which is shown as a reconciling item.

e) Personal Pre-APE Debt Restructurings

In December 2002, Personal restructured a portion of its outstanding indebtedness as of that date. Under Argentine GAAP, Personal recognized a gain to carry the restructured debt to its present value. Under US GAAP, Personal assessed the transaction under SFAS No. 15 and EITF 02-04 and treated the restructuring as a troubled debt restructuring. As the carrying value of the old debt did not exceed the total future cash payments specified by the new debt, no gain was recognized under US GAAP.

F-47

15. Differences between Argentine GAAP and US GAAP (Continued)

During the year ended December 31, 2004, Personal received notices of acceleration for the restructured debt in December 2002 amounting to US$ 27 million. Accordingly, Personal recorded a loss of $20 under Argentine GAAP to carry such debt at fair value. Since no gain had been originally recorded under US GAAP and the old debt had not been derecognized, the US GAAP adjustment reflects the reversal of the loss recorded under Argentine GAAP.

f) Other adjustments

The Company has aggregated under this caption certain reconciling items which management believes are not significant to the Company s financial position and results of operations. The US GAAP reconciling items included under other adjustments were as follows for all periods presented:

Included in the reconciliation of net income (loss):

	Years ended December 31, 2005	2004	2003
Inventories	$ -	$ -	$ 5
Present-value accounting	2	(8)	3
Accounting for investments in debt securities	(7)	-	-
Equity gain (loss) on related companies	-	2	(2)
Total other adjustments(f)	**$ (5)**	**$ (6)**	**$ 6**

Included in the reconciliation of shareholders´ equity:

	As of December 31, 2005	2004	2003
Present-value accounting	$ 3	$ 1	$ 9
Equity gain (loss) on related companies	-	-	(2)
Total other adjustments(f)	**$ 3**	**$ 1**	**$ 7**

- Inventories

Under Argentine GAAP, inventories are stated at replacement cost. Under US GAAP, inventories are stated at the lower of cost or market.

- Present-value accounting

As indicated in Note 4.f., under Argentine GAAP, certain monetary assets and liabilities are measured based on the calculation of their discounted value. Under US GAAP, discounting of these assets and liabilities is precluded.

- Accounting for investments in debt securities

Under Argentine GAAP, certain investments in debt securities were recorded at fair value with an unrealized gain of $7 recognized in the statement of income as of December 31, 2005. Under US GAAP, these investments were classified as available-for-sale and unrealized gain was excluded from earnings and reported as a separate component of shareholders equity until sale or disposal.

- Fixed assets held for sale

Under Argentine GAAP, the Company classified certain fixed assets as held for sale and ceased depreciating them as from September 30, 2005. However, under US GAAP, a long-lived asset to be sold is classified as held for sale only if all of the conditions in paragraph 30 of SFAS No.144 are met. As some of these conditions are not met, under US GAAP, these buildings are still classified as held and used and depreciated.

The depreciation of these assets for the three-month period from September 30, 2005 through December 31, 2005 is less than 1 million. Therefore, this effect is not shown on the summary table above.

- Equity gain (loss) on related companies

As of December 31, 2004, the Company held a 5.75% ownership interest in Nahuelsat. Under Argentine GAAP, the Company recorded this investment at the lower of cost or net realizable value.

F-48

15. Differences between Argentine GAAP and US GAAP (Continued)

For US GAAP purposes, the Company accounts for investments in non-marketable equity securities in accordance with Accounting Principles Board Opinion No. 18 (APB 18) and related interpretations. Under APB 18, investments in less than 20% of the capital stock are generally carried at cost. Under the cost method, investments are recorded and reported at original cost until they are partially or entirely disposed of or the original cost value has been impaired. Subsequent write-ups are prohibited under US GAAP.

As of December 31, 2002, the investment in Nahuelsat was written down to zero since its original cost was deemed to be permanently impaired. The cost basis of this investment was zero for both Argentine GAAP and US GAAP for the year ended December 31, 2002.

Subsequently, during the year ended December 31, 2003, the investment in Nahuelsat was written up for Argentine GAAP purposes. Since management considered that Nahuelsat´s financial condition had improved, a write-up of $2 was included in equity gain (loss) from related companies in the statement of income. For US GAAP purposes, the permanent impairment recorded in 2002 established a new cost basis for the investment, thus, the write-up recorded in 2003 was reversed.

During the year ended December 31, 2004, the Company recorded a new write-down of the investment of $2 for Argentine GAAP purposes. For US GAAP purposes, for the reasons described above, such write-down was reversed.

During the year ended December 31, 2005, the Company sold its investment in Nahuelsat, recording a gain of $0.1 for both Argentine GAAP and US GAAP.

g) Income taxes

g.1) Tax effects on US GAAP adjustments

The adjustment represents the effect on deferred income taxes of the foregoing reconciling items, as appropriate.

g.2) Valuation allowance

Due to the outcome of the debt restructuring of Telecom Argentina and based on current future projections, the Company reversed the valuation allowance previously provided for under US GAAP.

Also, and based on current future projections, Personal fully reversed the valuation allowance previously provided for under US GAAP.

h) Minority interest

The adjustment represents the effect on minority interest of the foregoing reconciling items, as appropriate.

i) Accounting for stock transferred by the Argentine Government to employees

Under Argentine GAAP, there are no specific rules governing the accounting to be followed by employers when a principal shareholder transfers shares to a company s employees.

Under US GAAP, the Company has elected to follow Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees, and related interpretations, as permitted by SFAS No. 123. In accordance with AIN - APB No 25 Accounting for Stock Issued to Employees - Accounting Interpretations of APB Opinion No 25 , the economic substance of a plan established by the principal stockholders is substantially the same for the company and the employee, whether the plan is adopted by the company or a principal stockholder. Consequently, the company should account for this type of plan when one is established or financed by a principal stockholder unless (1) the relationship between the stockholder and the company s employee is one which would normally result in generosity, (2) the stockholder has an obligation to the employee which is completely unrelated to the latter s employment, or (3) the company clearly does not benefit from the transaction. The rationale established in this Interpretation has been applied to other situations in which a principal stockholder undertakes transactions for the benefit of the company. Staff Accounting Bulletin (SAB) No. 79 (SAB Topic 5T) requires any transaction undertaken by a company s principal stockholder for the benefit of the company to be accounted for according to its substance and not its form. Under APB No. 25, compensation expense is based on the difference, if any, on the date of the grant, between the fair value of the company s stock and the exercise price. SFAS No. 123 defines a fair value based method of accounting for an employee stock option or similar equity investment.

15. Differences between Argentine GAAP and US GAAP (Continued)

The Argentine Government agreed to establish a Share Ownership Plan, principally for the benefit of the former employees of ENTel transferred to the Company. Under the terms of the plan, employees eligible to participate acquired the shares of the Company previously held by the Government for an amount significantly less than the then market value of the shares as of the Transfer Date. This discount arises because the eligible employees were only required to pay cash for the shares in an amount equivalent to the cash portion of the proceeds received by the Argentine Government from Nortel. The purchase price formula was originally established during the privatization.

Had the Company been required by SEC regulations to include a reconciliation between Argentine GAAP and US GAAP for the fiscal year 1991, it would have included as a reconciling item a charge amounting to $465 in the statement of income. However, this charge represented a reclassification between equity accounts, and consequently, it had no impact on shareholders equity or cash flows determined under US GAAP. The charge was calculated based upon the difference between the estimated total price per share paid by Nortel as of the Transfer Date and the purchase price to be paid by eligible employees.

j) Indefinite-life intangibles impairment testing

As indicated in Note 4.k., the Company identified the PCS license as an indefinite life intangible. Under Argentine GAAP, indefinite life intangibles are not amortized but tested annually for impairment. The carrying value of these intangibles is considered impaired by the Company when the expected cash flows, undiscounted and without interest, from such assets are separately identifiable and 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 Company concluded that an impairment loss was not necessary.

Under US GAAP, the Company adopted SFAS No.142, Goodwill and Other Intangible Assets (SFAS 142), on January 1, 2002. The Company determined that its license met the definition of indefinite-lived intangible assets under SFAS 142. Under SFAS 142, indefinite-life intangibles are not amortized but subject to annual impairment testing or more frequent testing if an event occurs or circumstances change that would more likely than not reduce the fair value of the intangible asset below its carrying value. The Company has assessed the impairment of its PCS license under SFAS 142. The impairment testing involves determining the fair market value of its PCS license and comparing the value with its carrying value. Based on this assessment, there was no impairment identified for the periods presented.

k) Other Derivatives

As discussed in Notes 8.2 and 8.3, the Company entered into several financing arrangements as part of the Debt Restructurings and the issuance of Personal´s new debt. These financial instruments contain derivative instruments that are embedded in the financial instruments, i.e. zero-cost collar and optional redemption and/or mandatory prepayment features. The Company assessed whether the economic characteristics of these embedded derivatives are clearly and closely related to the economic characteristics of the remaining component of the financial instruments (i.e., the host contract) and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. Since it was determined that (i) the embedded derivative possesses economic characteristics that are clearly and closely related to the economic characteristics of the host contract, and (ii) a separate instrument with the same terms would not qualify as a derivative instrument, the embedded derivative were not separated from the host contract.

II. Additional disclosure requirements

a) Disclosure of lease information

Under US GAAP, additional disclosures are required as per SFAS No.13 *Accounting for Leases* , as follows:

Operating leases

In the normal course of business, the Company leases cell sites, switch sites, satellite capacity and circuits under various noncancelable operating leases that expire on various dates through 2015. Rent expense is recognized ratably over the lease terms. Future minimum lease payments as of December 31, 2005, are as follows:

15. **Differences between Argentine GAAP and US GAAP (Continued)**

Year ending December 31, 2006	30
Year ending December 31, 2007	15
Year ending December 31, 2008	8
Year ending December 31, 2009	4
Thereafter	3
Total	**$ 60**

Rental expense for the years ended December 31, 2005, 2004 and 2003 is included in Note 16.h.

The Company does not have assets under capital leases for the years ended December 31, 2005, 2004 and 2003.

b) Disclosures about fair value of financial instruments

Under Argentine GAAP, there are no specific rules regarding disclosure of fair value of financial instruments.

Under US GAAP, SFAS No. 105 requires reporting entities to disclose certain information about financial instruments with off-balance sheet risk of accounting loss. SFAS No. 107, Disclosures About Fair Value of Financial Instruments , requires disclosure of fair value information about financial instruments whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Financial instruments include such items as to cash and cash equivalents and accounts receivable and other instruments. SFAS No. 107 excludes from its disclosure requirements lease contracts and various significant assets and liabilities that are not considered to be financial instruments. SFAS No. 119 requires reporting entities to disclose certain information for derivative financial instruments. SFAS No. 133, supersedes SFAS No. 105 and SFAS No. 119 and amends SFAS No. 107 to include in SFAS No. 107 the disclosure requirements of credit risk concentrations from SFAS No. 105. See Note 3.g. for details of concentration of credit risk.

Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and the relevant market information. Where available, quoted market prices are used. In other cases, fair values are based on estimates using other valuation techniques, such as discounting estimated future cash flows using a rate commensurate with the risks involved or other acceptable methods. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, prepayments, discount rates, estimates of future cash flows, future expected loss experience, and other factors. Changes in assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, the Company s fair values should not be compared to those of other companies.

Under the Statement, fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Accordingly, the aggregate fair value amount presented does not represent the underlying value of the Company. For certain assets and liabilities, the information required under the Statement is supplemental with additional information relevant to an understanding of the fair value.

The methods and assumptions used to estimate the fair values of each class of financial instruments as of December 31, 2005 and 2004 are as follows:

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less, consisting of time deposits and mutual funds, to be cash and cash equivalents. The carrying amount reported in the balance sheet approximates fair value.

Government securities

The fair value of government securities is based on quoted market prices for those or similar investments.

	As of December 31,	
	2005	**2004**

	Carrying amount	Fair value	Carrying amount	Fair value
Government securities	40	40	251	251

F-51

15. Differences between Argentine GAAP and US GAAP (Continued)

Accounts receivable, net

Carrying amounts are considered to approximate fair value due to the short term nature of these accounts receivables and no significant changes in interest rates. All amounts that are assumed to be uncollectible within a reasonable time are written off and/or reserved.

Accounts payable

The carrying amount of accounts payable reported in the balance sheet approximates its fair value due to the short term nature of these accounts payables and no significant changes in interest rates.

Debt

The fair value of the Company s debt as of December 31, 2005 is estimated based on quoted market prices for the same or similar issues. As of December 31, 2005, the fair value of the Company s debt was $5,017 and the related carrying amount was $4,901. As of December 31, 2004, the fair value of the Company s debt was $9,183 and the related carrying amount was $10,653.

Other receivables and other liabilities

The carrying amount of other receivables and other liabilities reported in the balance sheet approximates fair value due to their short-term nature.

c) Benefit under Collective Bargaining Agreement

As described in Note 4.o., retirement benefits consist of the payment of a single lump sum at retirement equal to one salary for each five years of service due to normal retirement, death or disability. Those employees who voluntary resign (for any reason) or retire for other reasons are ineligible. Telecom Argentina accounts for such benefits under SFAS No.87.

The following tables summarize benefit costs for the years ended December 31, 2005, 2004 and 2003, as well as the benefit obligations associated with postretirement benefit plans as of December 31, 2005 and 2004:

	As of December 31,	
	2005	2004
Accumulated benefit obligation	$ 4	$ 5
Effect of future compensation increases	6	2
Projected benefit obligation	**$ 10**	**$ 7**

	Years ended December 31,		
	2005	2004	2003
Service cost	$ 1	$ 1	$ 1
Interest cost	2	1	1
Total benefit cost	**$ 3**	**$ 2**	**$ 2**

The actuarial assumptions used are based on market interest rates, past experience and management s best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. The main assumptions used in determining expense and benefit obligations are as follows:

	2005	2004	2003
Discount rate(1)	10.5 %	11 %	10 %
Projected increase rate in compensation	10-30 %	2-12 %	2-10 %

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(1) Represents estimates of real rate of interest rather than nominal rate in $.

d) Risks and uncertainties

The Company s customers are mostly concentrated in Argentina. Social, political and economic conditions in Argentina are volatile and may impair the Company s operations. This volatility could make it difficult for the Company to develop its business, generate revenues or achieve or sustain profitability. Historically, volatility has been caused by: currency devaluation, significant governmental influence over many aspects of local economies, political and economic instability, unexpected changes in regulatory requirements, social unrest or violence, slow or negative economic growth, imposition of trade barriers, and wage and price controls. Most or all of these factors occurred at various times in the past few years and still occur today in the Company s core target market in Argentina. The Company has no control over these matters.

F-52

15. Differences between Argentine GAAP and US GAAP (Continued)

The Company s future results of operations and financial condition could be impacted by the following factors, among others:

- the ability to finance and manage expected growth;
- customer churn-rates;
- impact of competitive services, products and pricing;
- dependence on key personnel;
- legal proceedings; and
- government regulation.

e) Asset retirement obligations

The balance of the Company s asset retirement obligations as of December 31, 2005 and 2004 was $21 and $13, respectively and is included in other long-term liabilities on the consolidated balance sheets. Accretion expense and settlements during 2005 and 2004 were not significant.

f) Segment Information

As discussed in Note 12, the Company has identified its operating segments to be the seven legal entities through which it conducts business. The identification of these segments is consistent with the requirements of paragraph 10 of SFAS No.131 *Disclosures about Segments of an Enterprise and Related Information* .

Under Argentine GAAP, the Company has combined these operating segments into three reportable segments based on the nature of products and services provided by the entities. The three reportable segments under Argentine GAAP are: Voice, data and Internet services, Wireless services and Directory publishing services.

Paragraph 17 of SFAS No.131 indicates that two or more operating segments may be combined into a single operating segment if aggregation is consistent with the objective and basic principles of the Statement, if the segments have similar economic characteristics, and, if the segments are similar in each of the following areas (a) the nature of products and services, (b) the nature of the production processes, (c) the type or class of customer for products and services, (d) the method used to distribute products or provide services and (e) if applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar.

The Company has assessed whether the operating segments combined to create the Wireless services reportable segment have similar economic characteristics. As such, the Company determined that Nucleo (the subsidiary which provides wireless services in Paraguay) does not show similar long-term average gross margins with those of Personal. Cable Insignia has been dormant and with no operations for all periods presented, and therefore has no impact in presentation. Accordingly, following the guidance in paragraph 17 of SFAS No. 131, Nucleo would not be aggregated together with Personal to create one reportable segment, but rather it would be shown as a separate operating segment.

Even though Nucleo and Personal have been combined into one reportable segment under Argentine GAAP, Note 12 to the consolidated financial statements shows information for both Personal and Nucleo separately and a column totaling both entities to report the wireless reportable segment.

Considering that separate information for Nucleo is already disclosed in Note 12, the effect of the application of paragraph 17 of SFAS No. 131 would only be the (i) elimination of the column totaling Personal and Nucleo and (ii) labeling Nucleo as a separate Wireless segment.

g) Balance sheet classification differences

Deferred income taxes

Under Argentine GAAP, the net deferred tax liability has been classified as a non-current tax payable as of December 31, 2005 and 2004.

Under US GAAP, the Company applies the principles of SFAS No.109. Pursuant to SFAS No.109, the classification of the deferred tax for a temporary difference is determined by the classification of the asset or liability for financial reporting to which the temporary difference is related. A temporary difference is related to an asset or liability if reduction of the asset or liability causes the temporary difference to reverse. For temporary differences not related to an asset or liability for financial reporting or for loss carryforwards, the deferred tax should be classified according to the expected reversal date of the temporary difference or carryforward.

15. Differences between Argentine GAAP and US GAAP (Continued)

As of December 31, 2005, the net current deferred tax asset is $394 and the net non-current deferred tax asset is $79 under US GAAP. As of December 31, 2004, the net current deferred tax asset is $935 and the net non-current deferred tax liability is $997 under US GAAP.

Current restricted cash

Under Argentine GAAP, as described in Notes 8.2. and 11.c., the Company has classified restricted cash amounting to $17 as other receivables. Under US GAAP, restricted cash may be shown as a separate line item on the face of the balance sheet or classified as cash or investments, as appropriate, but identified in the notes to the financial statements. Restricted cash at December 31, 2005 represented cash in escrow related to certain judicial proceedings. The restricted cash is $ 12 as of December 31, 2004.

Revenue recognition

As indicated in Note 4.b., under Argentine GAAP, installation fees are recognized at the time of installation or activation. Associated direct expenses are expensed as incurred. These costs exceed installation revenues for all periods presented.

For US GAAP purposes, non-refundable installation fees are deferred and recognized over the estimated customer relationship period. Associated direct expenses are also deferred over the estimated customer relationship period in an amount equal to the amount of deferred revenues. Since installation costs exceed installation revenues for all periods presented and considering that this excess is recognized immediately, there is no measurement difference between Argentine GAAP and US GAAP in this regard. However, the amount of assets and liabilities under US GAAP would differ as a result of the deferral of revenues and related costs. This effect for US GAAP purposes of recording the related deferred asset and liability is not significant for the periods presented.

h) Acquisition of indefeasible rights of use

During 2004 and 2005, the Company entered into two capacity agreements for a total amount of US$14.5 million with Telecom Italia Sparkle S.p.A., a related party, (the TIS IRU Contracts) pursuant to which the Company purchased the rights to use of fiber optic capacity for a period of 15 years. As of December 31, 2005, an amount of US$0.5 million is still outstanding under the TIS IRU Contracts . The Company is also committed to pay operation and maintenance costs (O&M) over the life of the TIS IRU contracts aggregating US$6.6 million.

Under Argentine GAAP, the Company recognized the up-front cash payment and the remaining payable related to the TIS IRU Contracts as an intangible asset. The intangible asset is being amortized under the straight-line method over the term of the Contracts, i.e. 15 years. Amortization expense is included under intangible amortization in the statement of income. The Company determined that the two capacity agreements are service contracts.

Under US GAAP, neither the cash up-front payment nor the remaining amount payable under the contracts qualify for recognition as intangible assets. Rather the prepayment would be recognized as a prepaid asset. The Company would recognize service expense, including operating and maintenance costs, on a straight-line basis over the term of the TIS IRU contracts. Accordingly, amortization expense would have been reduced by $1.8 and $0.1 for the years ended December 31, 2005 and 2004 and service expense would have been increased by same amounts for those years.

Sale of a portion of indefeasible rights of use purchased under the TIS IRU Contracts

During 2004 and 2005, the Company entered into a capacity agreement with Antel Uruguay, pursuant to which the Company provides the right to use a portion of the capacity acquired under the TIS IRU Contracts for a value of US$2.8 million and US$1.8 million, respectively (the Antel Agreements). As of December 31, 2005, US$1.8 million related to the 2005 Antel Agreement is still uncollected. Antel Uruguay will pay this amount in four consecutive quarterly installments. In addition, the Company charges an O&M amount of 3% of total contract value to Antel Uruguay. Antel Uruguay will pay O&M costs over the term of the contract.

Under Argentine GAAP, the Company recognized this uncollected receivable and liability (deferred revenue) related to the Antel Agreements. The Company will recognize revenue under the straight-line method over the term of the Agreement (15 years).

Under US GAAP, the remaining amount under the contracts do not qualify for recognition as liability (deferred revenue), and therefore receivable and liability recognized under Argentine GAAP should be reversed under US GAAP.

F-54

15. Differences between Argentine GAAP and US GAAP (Continued)

i) Income statement classification differences

The following table reconciles the operating income as shown in the statement of income under Argentine GAAP to the operating income that would be reported under US GAAP, which contemplate classification differences under US GAAP:

	Years ended December 31, 2005	2004	2003
Operating income under Argentine GAAP	**$ 504**	**$ 400**	**$ 107**
Foreign currency translation	2	1	(5)
Capitalization of foreign currency exchange differences	117	119	121
Other expenses, net as operating loss under US GAAP	(165)	(78)	(168)
Other	(14)	(6)	(2)
Operating income under US GAAP	**$ 444**	**$ 436**	**$ 53**

j) Earnings per share

Under Argentine GAAP, the Company computes net income (loss) per common share and dividends per share by dividing the net income (loss) for the period by the number of weighted common shares outstanding.

Under US GAAP, basic and diluted net income (loss) per share are presented in conformity with SFAS No. 128 Earnings per Share for all periods presented.

Basic net income (loss) per share is computed by dividing the net income (loss) available to common shareholders for the period by the weighted average shares of common stock outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and dilutive potential common shares then outstanding during the period. Since the Company has no dilutive potential common stock outstanding, there are no dilutive earnings per share amounts as described in SFAS No. 128.

The following tables set forth the computation of basic and diluted net income (loss) per share for the years indicated:

	Years ended December 31, 2005	2004	2003
Numerator:			
Net income (loss) under US GAAP	$ 1,138	$ (782)	$ 485
Denominator:			
Number of shares outstanding	984,380,978	984,380,978	984,380,978
Basic and diluted net income (loss) per common share	**$ 1.16**	**$ (0.79)**	**$ 0.49**

k) Cash flows statement classification differences

The statement of cash flows presented in the primary financial statements are prepared based on Argentine GAAP amounts. Under both Argentine GAAP and US GAAP, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As a result, no differences exist between the total amount of the increase or decrease in cash and cash equivalents reported in the primary financial statements and the same totals that would be reported in a statement of cash flows prepared based on US GAAP amounts. However, as discussed further below, certain differences exist between cash flows from operating, investing and financing activities reported in the primary financial statements and the cash flows from operating, investing and financing activities that would be reported under SFAS No. 95 Statement of Cash Flows .

Under Argentine GAAP, cash outflows for the repayment of seller financing for the acquisition of productive assets, which amounted to $nil, $nil and $34 for the years ended December 31, 2005, 2004 and 2003, respectively, were reported as investing activities. Under US GAAP, these transactions would be classified as cash flows used in financing activities. Also, under Argentine GAAP, payments to creditors for interest and withholding tax payments were reported as financing activities whereas these transactions would be classified as cash flows used in operating activities for US GAAP purposes. Additionally, under Argentine GAAP, cash outflows for the acquisition of indefeasible rights of use, which amounted to $31 and $12 for fiscal years 2005 and 2004, respectively, were reported as investing activities. Under US GAAP, these transactions would be classified as cash outflows from operating activities.

15. Differences between Argentine GAAP and US GAAP (Continued)

Under US GAAP, the total amounts of cash and cash equivalents at the beginning and end of the years shown in the statements of cash flows are required to be the same amounts as similarly titled line items shown in the balance sheets, as of those dates. A table reconciling 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 is included in Note 6 to the financial statements.

In addition, under Argentine GAAP the effects of inflation and exchange rate changes on cash and cash equivalents were not disclosed by presenting a fourth cash flow statement category as required by US GAAP.

The following tables set forth the condensed statements of cash flows prepared in accordance with U.S.GAAP:

	Years ended December 31,		
	2005	**2004**	**2003**
Cash flows provided by operating activities	**$ 1,304**	**$ 1,943**	**$ 1,715**
Cash flows from investing activities			
Acquisition of fixed assets and intangible assets	(550)	(461)	(134)
Decrease (increase) in investments not considered as cash and cash equivalents and others	668	(378)	(177)
Total cash flows provided by (used in) investing activities	**118**	**(839)**	**(311)**
Cash flows from financing activities			
Debt proceeds	1,236	-	-
Payment and repurchase of debt	(4,684)	(471)	(467)
Payment of debt-related expenses	(59)	(36)	(12)
Total cash flows used in financing activities	**(3,507)**	**(507)**	**(479)**
Effect of exchange rate changes on cash and cash equivalents	(253)	127	(13)
Effect of inflation accounting on cash and cash equivalents	-	-	(10)
(Decrease) Increase in cash and cash equivalents	**(2,338)**	**724**	**902**
Cash and cash equivalents at the beginning of year	**2,940**	**2,216**	**1,314**
Cash and cash equivalents at year end	**$ 602**	**$ 2,940**	**$ 2,216**

l) Change in the estimated useful lives of certain of fixed assets

As detailed in Note 4.j., during the year ended December 31, 2005, Personal and Nucleo changed the useful lives of certain assets prospectively as from January 1, 2005. The effect on net income for this change in the estimated useful lives was a loss of $20, which represents a loss of Argentine pesos 0.02 per share for the year 2005.

m) Severance indemnities

Under Argentine law and labor agreements, the Company is required to make minimum severance payments to its employees dismissed without cause and employees leaving its employment in certain other circumstances. Under Argentine GAAP, severance payments are expensed as incurred. Under US GAAP, the Company follows the guidelines established by SFAS No.112, Employers Accounting for Post-employment Benefits , and SFAS No.43, Accounting for Compensated Absences , which requires the accrual of severance costs if they relate to services already rendered, are related to rights that accumulate or vest, are probable of payment and are reasonably estimable. While the Company expects to make severance payments in the future, it is impossible to estimate the number of employees that will be dismissed without proper cause in the future, if any, and accordingly the Company has not recorded such liability.

n) Investments in debt securities

Note 16.c. to the financial statements presents the additional disclosure requirements in accordance with SFAS No.115, *Accounting for Certain Investments in Debt and Equity Securities* .

o) Software developed or obtained for internal use

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) No.98-1 Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. This statement requires that certain internal and external costs associated with the purchase and/or development of internal use software be capitalized rather than expensed. The Company has adopted this statement for Argentine GAAP purposes. The adoption of this standard had no impact on the Company s financial position or results of operations.

15. Differences between Argentine GAAP and US GAAP (Continued)

p) Other comprehensive income

Under US GAAP, the Company adopted SFAS No.130 (SFAS 130), Reporting Comprehensive Income . SFAS No.130 establishes guidelines for the reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. SFAS No.130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Accumulated other comprehensive income is presented below, net of income tax benefit/expense:

	Years ended December 31,		
	2005	2004	2003
Net income (loss) under US GAAP	**$ 1,138**	**$ (782)**	**$ 485**
Other comprehensive income:			
- Foreign currency translation	2	-	(19)
- Investments classified as available-for-sale	7	-	-
Tax expense	(2)	-	-
Comprehensive income (loss)	**$ 1,145**	**$ (782)**	**$ 466**

	As of December 31,		
	2005	2004	2003
Accumulated other comprehensive income(a)	**$ 26**	**$ 19**	**$ 19**

(a) Accumulated other comprehensive income as of December 31, 2005 represents charges related to investments classified as available-for-sale and foreign currency translation adjustments. Accumulated other comprehensive income as of December 31, 2004 and 2003 represents charges related to foreign currency translation adjustments.

q) Valuation and qualifying accounts

Under Rule 12-09 of Regulation S-X of the SEC, the Company is required to file Schedule II Valuation and qualifying accounts . This schedule is designed to present an analysis of valuation reserves, such as the allowance for doubtful accounts. Note 16.e to the Argentine GAAP financial statements presents this information for the periods indicated. The Company considers this information is similar in format and content to that required by the SEC.

r) Disclosure of guarantees (FASB Interpretation No.45)

The guarantees issued by the Company as of December 31, 2005, are as follows:

In connection with Personal s licenses to render PCS services, Telecom Argentina has granted sureties on promissory notes issued by Personal to the order of the Department of Communications:

- for US$22,5 million (with a maturity date of May 7, 2002) as a performance guarantee in accordance with the list of conditions for the PCS service in Areas I and III;

- together with Telefónica de Argentina S.A., on a promissory note issued by Miniphone S.A. for $15 million (with a maturity date of October 27, 2000) as a performance guarantee in accordance with the list of conditions for the PCS service in Area II; and

- together with Telefónica de Argentina S.A. on a promissory note issued jointly by Telefónica Comunicaciones Personales S.A. and Personal for $30 million (with a maturity date of November 7, 2000), for the PCS service in the Area II.

Personal has submitted a report to the regulatory agency responsible for PCS service regulation stating that it has complied with its obligations under the licenses and notes, requesting the release of these promissory notes. Personal currently expects that once this regulatory agency has reviewed its report, the performance guarantees issued to ensure Personal s compliance will be released. However, Personal cannot provide any assurance of this release as the Department of Communications has denied similar requests in the past.

s) Recently issued accounting pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* (SFAS 154), a replacement of APB Opinion No. 20, *Accounting Changes* , and Statement of Financial Accounting Standards No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS 154 applies to all voluntary changes in accounting principle and changes the requirements for accounting for and reporting of a change in accounting principle. SFAS 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principle unless it is impracticable. It is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Earlier application is permitted for accounting changes and corrections of errors made occurring in fiscal years beginning after June 1, 2005. The Company does not believe that the adoption of SFAS 154 will have an effect on its financial statements.

16. Other financial statement information

The following tables present additional consolidated financial statement disclosures required under Argentine GAAP:

a. Fixed assets, net

b. Intangible assets, net

c. Securities and equity investments

d. Current investments

e. Allowances and provisions

f. Cost of services

g. Foreign currency assets and liabilities

h. Expenses

i. Aging of assets and liabilities

(a) Fixed assets, net

	Original value					
Principal account	**As of the beginning of year**	**Additions**	**Foreign currency translation adjustments**	**Transfers**	**Decreases (a)**	**As of the end of the year**
Land	118	-	-	-	(8)	110
Building	1,544	-	-	6	(47)	1,503
Tower and pole	323	-	-	10	-	333
Transmission equipment	5,220	(*)10	12	81	(40)	5,283
Switching equipment	3,922	3	4	184	(28)	4,085
Power equipment	534	1	2	9	(2)	544
External wiring	5,951	-	-	58	(38)	5,971
Telephony equipment and instruments	883	3	6	7	(2)	897
Wireless handsets lent to customers at no cost	342	3	5	-	(3)	347
Vehicles	114	18	-	-	(5)	127
Furniture	108	1	1	-	-	110
Installations	241	-	1	79	(1)	320
Improvements in third parties buildings.	102	-	-	(73)	(1)	28
Computer equipment	2,582	19	6	57	(18)	2,646
Work in progress	147	(**)495	-	(418)	(2)	222
Subtotal	**22,131**	**553**	**37**	**-**	**(195)**	**22,526**
Asset retirement obligations	13	8	-	-	-	21
Materials	96	(***)56	-	-	(58)	94
Total as of December 31, 2005	**22,240**	**617**	**37**	**-**	**(253)**	**22,641**
Total as of December 31, 2004	**21,818**	**500**	**16**	**-**	**(94)**	**22,240**

(*) Includes $2 transferred from materials.

(**) Includes $189 transferred from materials.

(***) Net of $191 transferred to fixed assets.

Principal account	**Depreciation Accumulated as of the beginning of the year**	**Annual rate (%)**	**Amount**	**Foreign currency translation adjustments**	**Decreases and transfers (a)**	**Accumulated as of the end of the year**	**Net carrying value as of December 31, 2005**	**Net carrying value as of December 31, 2004**
Land	-	-	-	-	-	-	**110**	**118**
Building	(684)	4 - 9	(65)	-	18	(731)	**772**	**860**
Tower and pole	(213)	7	(19)	-	-	(232)	**101**	**110**
Transmission equipment	(3,589)	10 - 14	(427)	(5)	19	(4,002)	**1,281**	**1,631**
Switching equipment	(2,994)	10 - 14	(283)	(2)	39	(3,240)	**845**	**928**
Power equipment	(365)	10	(45)	(1)	5	(406)	**138**	**169**
External wiring	(3,880)	6	(318)	-	35	(4,163)	**1,808**	**2,071**
Telephony equipment and instruments	(744)	10 - 18	(51)	(2)	2	(795)	**102**	**139**
Wireless handsets lent to customers at no cost	(337)	50	(6)	(4)	3	(344)	**3**	**5**
Vehicles	(98)	20	(6)	-	5	(99)	**28**	**16**
Furniture	(84)	10	(6)	(1)	-	(91)	**19**	**24**
Installations	(181)	10 - 25	(16)	(1)	(65)	(263)	**57**	**60**
Improvements in third parties buildings.	(74)	2	-	-	66	(8)	**20**	**28**
Computer equipment	(2,094)	19 - 33	(209)	(5)	11	(2,297)	**349**	**488**
Work in progress	-	-	-	-	-	-	**222**	**147**
Subtotal	(15,337)		(1,451)	(21)	138	(16,671)	**5,855**	**6,794**
Asset retirement obligations	(8)		(3)	-	-	(11)	**10**	**5**
Materials	-		-	-	-	-	**94**	**96**
Total as of December 31, 2005	(15,345)		(b)(1,454)	(21)	138	(16,682)	**5,959**	**6,895**
Total as of December 31, 2004	**(13,817)**		**(c)(1,552)**	**(8)**	**32**	**(15,345)**	**6,895**	

(a) Includes $(12) corresponding to the carrying value of the reversal of capitalized foreign currency exchange differences included in Gain on debt restructuring and $(34) corresponding to the carrying value of the buildings held for sale included in Other assets.

(b) Includes $(117) corresponding to the depreciation of capitalized foreign currency exchange differences.

(c) Includes $(119) corresponding to the depreciation of capitalized foreign currency exchange differences.

F-58

16. Other financial statement information (continued)

(b) Intangible assets, net

Principal account	Original value As of the beginning of the year	Additions	Foreign currency translation adjustments	As of the end of the year
Software obtained or developed for internal use	431	-	2	433
Debt issue costs	81	(c)17	1	99
PCS license	662	-	-	662
Band B license (Paraguay)	123	-	13	136
Rights of use	69	19	-	88
Exclusivity agreements	98	-	-	98
Trademarks	8	-	-	8
Total as of December 31, 2005	**1,472**	**36**	**16**	**1,524**
Total as of December 31, 2004	**1,440**	**24**	**8**	**1,472**

Principal account	Amortization Accumulated as of the beginning of the year	Amount	Foreign currency translation adjustments	Accumulated as of the end of the year	Net carrying value as of December 31, 2005	Net carrying value as of December 31, 2004
Software obtained or developed for internal use	(373)	(21)	(3)	(397)	**36**	**58**
Debt issue costs	(78)	(4)	(1)	(83)	**16**	**3**
PCS license	(71)	-	-	(71)	**591**	**591**
Band B license (Paraguay)	(89)	(15)	(9)	(113)	**23**	**34**
Rights of use	(23)	(4)	-	(27)	**61**	**46**
Exclusivity agreements	(60)	(4)	-	(64)	**34**	**38**
Trademarks	(5)	-	-	(5)	**3**	**3**
Total as of December 31, 2005	**(699)**	**(a)(48)**	**(13)**	**(760)**	**764**	**773**
Total as of December 31, 2004	**(595)**	**(b)(99)**	**(5)**	**(699)**	**773**	

a) An amount of $(39) is included in cost of services, $(5) in selling expenses, $(2) in financial results, net and $(2) in Gain on debt restructuring.

b) An amount of $(43) is included in cost of services, $(4) in general and administrative expenses, $(47) in selling expenses and $(5) in financial results, net.

c) Corresponds to the issuance of Personal s Notes.

(c) Securities and equity investments

Issuer and characteristic of the securities	Nominal value/ Market value	Number of securities/ shares	Net realizable value as of December 31, 2005	Cost value as of December 31, 2005	Book value as of December 31, 2005	Book value as of December 31, 2004
<u>CURRENT INVESTMENTS</u>						
Government bonds						
Secured 2018 Bond	$1	8,399,999	12	9	12	10
Discount Peso Bond	$1	11,358,852	15	11	15	-

Discount US$Bond	US$1	3,894,131	13	11	13	-
Argentina 2004 Bond	US$1		-	-	-	79
Other bonds	Euro 1		-	-	-	218
Total government bonds			**40**	**31**	**40**	**307**
Mutual funds						
ROBLE$	**$1.1**	4,579,912	5	5	5	-
Other	$1		-	-	-	41
Total mutual funds			**5**	**5**	**5**	**41**
Equity investments						
Intelsat Ltd.			-	-	-	8
Total equity investments			**-**	**-**	**-**	**8**
Total current investments			**45**	**36**	**45**	**356**

(d) **Current investments**

	Cost as of December 31, 2005	**Book value as of December 31, 2005**	**December 31, 2004**
CURRENT INVESTMENTS			
Time deposits			
With an original maturity of three months or less			
In foreign currency	$ 311	$ 311	$ 2,615
In Argentine pesos	240	240	252
Subtotal	**551**	**551**	**2,867**
With an original maturity of more than three months			
In foreign currency	$ -	$ -	$ 411
In Argentine pesos	-	-	52
Subtotal	**-**	**-**	**463**
Total current investments	**$ 551**	**$ 551**	**$ 3,330**

F-59

16. Other financial statement information (continued)

(e) Allowances and provisions

Items	Opening balances	Additions	Reclassifications	Deductions	As of December 31, 2005
Deducted from current assets					
Allowance for doubtful accounts receivables	104	29	-	(32)	101
Allowance for obsolescence of inventories	3	7	-	(1)	9
Impairment loss on the Argentina 2004 bond	56	-	-	(56)	-
Allowance for doubtful accounts	-	6	-	-	6
Allowance for other assets	-	-	1	-	1
Total deducted from current assets	163	42	1	(89)	117
Deducted from non-current assets					
Valuation allowance of deferred tax assets(c)	695	-	-	(417)	278
Allowance for doubtful accounts	4	3	-	-	7
Allowance for other assets	-	11	(1)	-	10
Total deducted from non-current assets	699	14	(1)	(417)	295
Total deducted from assets	862	(a)56	-	(506)	412
Included under current liabilities					
Provision for commissions	14	86	-	(48)	52
Provision for contingencies	16	-	55	(13)	58
Total included under current liabilities	30	86	55	(61)	110
Included under non-current liabilities					
Provision for contingencies	214	88	(55)	-	247
Total included under non-current liabilities	214	88	(55)	-	247
Total included under liabilities	244	(b)174	-	(61)	357

(a) Includes $29 in selling expenses and $27 in other expenses, net.

(b) Includes $86 in selling expenses and $88 in other expenses, net.

(c) As of December 31, 2005 and 2004 this allowance is included in Taxes payable non-current.

Items	Opening balances	Additions	Reclassifications	Deductions	As of December 31, 2004
Deducted from current assets					
Allowance for doubtful accounts receivables	112	5	-	(13)	104
Allowance for obsolescence of inventories	2	1	-	-	3
Impairment loss on the Argentina 2004 bond	-	56	-	-	56
Total deducted from current assets	114	62	-	(13)	163
Deducted from non-current assets					
Valuation allowance of deferred tax assets (c)	447	248	-	-	695
Allowance for doubtful accounts	3	1	-	-	4
Total deducted from non-current assets	450	249	-	-	699
Total deducted from assets	564	(d)311	-	(13)	862
Included under current liabilities					
Provision for commissions	1	25	-	(12)	14
Provision for contingencies	14	-	20	(18)	16
Total included under current liabilities	15	25	20	(30)	30
Included under non-current liabilities					

Provision for contingencies	**210**	24	(20)	-	**214**
Total included under non-current liabilities	**210**	**24**	**(20)**	**-**	**214**
Total included under liabilities	**225**	**(e) 49**	**-**	**(30)**	**244**

(d) Includes $5 in selling expenses, $2 in other expenses, net, $56 in financial results, net and $248 in income tax expenses.

(e) Includes $25 in selling expenses and $24 in other expenses, net.

(f) Cost of services

	Years ended December 31, 2005	2004	2003
Inventory balance at the beginning of the year	$ 82	$ 16	$ 18
Plus:			
Purchases	664	326	38
Holding results on inventories	(14)	(6)	(5)
Wireless handsets lent to customers at no cost(a)	(3)	(8)	(3)
Replacements	(3)	(9)	(10)
Cost of services (Note 16.h)	3,091	2,731	2,621
Less:			
Inventory balance at year end	(113)	(82)	(16)
COST OF SERVICES	**$ 3,704**	**$ 2,968**	**$ 2,643**

(a) 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.

	Years ended December 31, 2005	2004	2003
Handsets			
Net sales	$ 332	$ 136	$ 16
Cost of sales	(613)	(237)	(22)
Gross loss from handsets	**$ (281)**	**$ (101)**	**$ (6)**
Services			
Net sales	$ 5,386	$ 4,358	$ 3,737
Cost of sales	(3,091)	(2,731)	(2,621)
Gross profit from services	**$ 2,295**	**$ 1,627**	**$ 1,116**
TOTAL GROSS PROFIT	**$ 2,014**	**$ 1,526**	**$ 1,110**

16. **Other financial statement information (continued)**

(g) Foreign currency assets and liabilities

Items	As of December 31, 2005 Amount of foreign currency (i)		Current exchange rate	Amount in local currency	As of December 31, 2004 Amount in local currency
Current assets					
Cash and banks					
Cash	G	6,545	0.00049	$ 3	$ -
Bank accounts	US$	2	3.03200	7	12
	¥	453	0.02575	12	-
	G	2,036	0.00049	1	1
Investments					
Time deposits	US$	78	3.03200	236	1,507
	EURO	20	3.58690	73	1,515
	G	2,904	0.00049	2	4
Government bonds	EURO	-	-	-	218
	US$	4	3.03200	13	79
Impairment loss on the Argentina 2004 bond	US$	-	-	-	(56)
Accounts receivable					
	US$	12	3.03200	35	48
	G	50,970	0.00049	26	41
Related parties	US$	1	3.03200	4	-
Other receivables					
Tax credits	G	4,528	0.00049	2	3
Prepaid expenses	US$	-	-	-	2
Others	US$	-	-	-	10
	G	3,579	0.00049	1	1
Total assets				**$ 415**	**$ 3,385**
Current liabilities					
Accounts payable					
Suppliers	US$	37	3.03200	$ 111	$ 169
	G	12,646	0.00049	6	6
	SDR	-	-	-	5
	EURO	4	3.58690	15	5
Deferred revenues	G	9,394	0.00049	5	2
Related parties	US$	-	-	-	14
Debt					
Notes - Principal	US$	172	3.03200	521	644
	EURO	47	3.58690	168	4,709
	¥	1,078	0.02575	28	-
Banks loans and others - Principal	US$	3	3.03200	9	1,026
	¥	-	-	-	80
Fixed assets financing - Principal	US$	-	-	-	978
	EURO	-	-	-	157
	¥	-	-	-	340
Accrued interest	US$	12	3.03200	37	369
	EURO	5	3.58690	17	851
	¥	43	0.02575	1	26
Derivatives	US$	15	3.03200	46	-
Penalty interest	US$	-	-	-	92
	EURO	-	-	-	71
	¥	-	-	-	7
Salaries and social security payable					
Vacation, bonuses and social security payable.	G	2,036	0.00049	1	-

Taxes payable					
Income tax	G	17,087	0.00049	8	1
VAT	G	2,036	0.00049	1	-
Other liabilities					
Other	US$	1	3.03200	3	-
	G	1,060	0.00049	1	1
Non-current liabilities					
Debt					
Notes - Principal	US$	679	3.03200	2,060	-
	EURO	404	3.58690	1,448	-
	¥	9,327	0.02575	240	-
Banks loans and others - Principal	US$	99	3.03200	299	1,260
Gain on discounting of debt	US$	(13)	3.03200	(38)	(41)
	EURO	(54)	3.58690	(193)	-
	¥	(1,784)	0.02575	(46)	-
Derivatives	US$	10	3.03200	31	-
Taxes payable					
Deferred tax liabilities	G	4,073	0.00049	2	6
Other liabilities					
Deferred revenue on sale of capacity	US$	11	3.03200	32	29
Total liabilities				**$ 4,813**	**$ 10,807**

(i) US$ = United States dollars; SDR = Special drawing rights; G= Guaraníes; ¥ = Japanese Yen.

F-61

16. Other financial statement information (continued)

(h) Expenses

	Expenses Cost of services	General and administrative	Selling	Year ended December 31, 2005
Salaries and social security	$ 321	$ 122	$ 242	**$ 685**
Depreciation of fixed assets	1,278	38	138	**1,454**
Amortization of intangible assets	39	-	5	**44**
Taxes	140	13	24	**177**
Turnover tax	218	-	-	**218**
Maintenance, materials and supplies	244	12	49	**305**
Transportation and freight	14	5	28	**47**
Insurance	5	1	6	**12**
Energy, water and others	37	4	9	**50**
Bad debt expense	-	-	29	**29**
Interconnection costs	144	-	-	**144**
Cost of international outbound calls	94	-	-	**94**
Lease of circuits	48	-	-	**48**
Rental expense	47	3	10	**60**
Fees for services	30	49	79	**158**
Advertising	-	-	152	**152**
Agent commissions and distribution of prepaid cards commissions	-	-	386	**386**
Other commissions	-	-	82	**82**
Roaming	115	-	-	**115**
Charges for TLRD	271	-	-	**271**
Others	46	2	22	**70**
Total	**$ 3,091**	**$ 249**	**$ 1,261**	**$ 4,601**

	Expenses Cost of services	General and administrative	Selling	Year ended December 31, 2004
Salaries and social security	$ 295	$ 96	$ 202	**$ 593**
Depreciation of fixed assets	1,342	36	174	**1,552**
Amortization of intangible assets	43	4	47	**94**
Taxes	103	5	27	**135**
Turnover tax	166	-	-	**166**
Maintenance, materials and supplies	184	6	43	**233**
Transportation and freight	9	3	23	**35**
Insurance	16	4	5	**25**
Energy, water and others	25	7	10	**42**
Bad debt expense	-	-	5	**5**
Interconnection costs	135	-	-	**135**
Cost of international outbound calls	82	-	-	**82**
Lease of circuits	46	-	-	**46**
Rental expense	39	4	12	**55**
Fees for services	26	48	28	**102**
Advertising	-	-	93	**93**
Agent commissions and distribution of prepaid cards commissions	-	-	177	**177**
Other commissions	-	13	48	**61**
Roaming	65	-	-	**65**
Charges for TLRD	137	-	-	**137**
Others	18	3	3	**24**
Total	**$ 2,731**	**$ 229**	**$ 897**	**$ 3,857**

	Expenses Costof services	General and administrative	Selling	Year ended December 31, 2003
Salaries and social security	$ 262	$ 90	$ 154	**$ 506**
Depreciation of fixed assets	1,501	49	218	**1,768**
Amortization of intangible assets	45	2	62	**109**
Taxes	92	2	25	**119**
Turnover tax	137	-	-	**137**
Maintenance, materials and supplies	116	8	40	**164**
Transportation and freight	6	3	19	**28**
Insurance	18	4	5	**27**
Energy, water and others	26	5	7	**38**
Bad debt expense	-	-	11	**11**
Interconnection costs	136	-	-	**136**
Cost of international outbound calls	76	-	-	**76**
Lease of circuits	38	-	-	**38**
Rental expense	32	5	9	**46**
Fees for services	22	35	41	**98**
Advertising	-	-	44	**44**
Agent commissions and distribution of prepaid cards commissions	-	-	96	**96**
Other commissions	-	13	51	**64**
Roaming	39	-	-	**39**
Charges for TLRD	62	-	-	**62**
Others	13	3	2	**18**
Total	**$ 2,621**	**$ 219**	**$ 784**	**$ 3,624**

F-62

16. Other financial statement information (continued)

(i) Aging of assets and liabilities

Date due	Investments	Accounts receivable	Other receivable	Accounts payable	Debt	Salaries and social security payable	Taxes payable	Other liabilities
Total due	**-**	**185**	**-**	**-**	**-**	**-**	**-**	**-**
Not due								
First quarter 2006	596	503	70	821	10	58	206	22
Second quarter 2006	-	14	3	2	464	10	16	5
Third quarter 2006	-	3	3	-	17	9	-	1
Fourth quarter 2006	-	-	10	11	414	27	-	3
Jan. 2007 thru dec. 2007	-	-	107	-	1,070	6	-	4
Jan. 2008 thru dec. 2008	-	-	5	-	1,076	7	-	4
Jan. 2009 and thereafter	-	-	157	-	2,127	17	-	74
Not date due established	2	-	-	-	(277)	-	92	(4)
Total not due	**598**	**520**	**355**	**834**	**4,901**	**134**	**314**	**109**
Total as of December 31, 2005	**598**	**705**	**355**	**(a)834**	**4,901**	**134**	**314**	**109**
Balances bearing interest	596	210	-	-	4,901	-	-	22
Balances not bearing interest	2	495	355	834	-	134	314	87
Total	**598**	**705**	**355**	**834**	**4,901**	**134**	**314**	**109**
Average annual interest rate (%)	**4.99**	**(b)**	**-**	**-**	**(c)**	**-**	**-**	**-**

(a) Payables in kind amounted to $1.

(b) $139 bear 50% over the Banco Nación Argentina notes payable discount rate and $71 bear 18.85%.

(c) See Note 8.

17. Subsequent events

u *Extraordinary Meeting of Noteholders- Consent Solicitation*

On February 24, 2006, the Company called for an extraordinary meeting of noteholders to be held on March 27, 2006. The Company is soliciting the consent of noteholders to amend the Trust Agreement dated August 31, 2005 entered into by the Company and the Bank of New York as Trustee, Payment Agent, Transfer Agent and Registrar. The proposed amendments are as follows:

(i) Amend Clauses (a) and (c) of Section 3.17 Limitation on Capital Expenditures to eliminate Personal s restriction to its capacity to make capital expenditures;

(ii) Amend Section 3.21 Reinvestment of Dividends Paid by Personal to eliminate it in its entirety. This section establishes that Telecom Argentina should reinvest in Personal any dividend received by Personal; and

(iii) Eliminate certain definitions, such as, Telecom Personal Permitted Capital Expenditures and Telecom Personal Distribution Payment .

Pursuant to the Trust Agreement, any proposed amendment will be binding to all parties provided that an affirmative vote of at least the majority of the US dollar equivalent of the outstanding principal amount of the notes (voting as one class) is obtained from note holders present and/or represented in a meeting with the required quorum. The required quorum to hold a meeting on first call is at least 60% of the outstanding principal amount of the notes, while to hold a meeting on second call the required quorum is at least 30% of the outstanding principal amount of the notes.

Telecom Argentina has agreed to pay a consent fee to beneficial holders of the notes who shall give instructions to vote the amendments favorably provided the amendments are approved and become binding. The consent fee will be equal to 0.5% of the outstanding principal amount of the notes for which instructions are received.

Telecom Argentina shall also pay a processing fee to those holders who process instructions received from beneficial holders provided that the outstanding principal amount of the beneficiary holder is equal or lower to US$ 500,000 or its equivalent in other currencies. The processing fee will be equal to 0.25% of the outstanding principal amount of the notes for which instructions are received.

u *Refinancing of Nucleo s financial debt*

On February 27, 2006, Nucleo cancelled its remaining financial debt with banks, which had been refinanced in November 2004 (equivalent to US$ 4.4 million), together with a part of Personal s Promissory Note (equivalent to US$ 3.5 million). The funds used for said cancellations derived from two loans from Paraguayan banks for a total amount of
US$ 5.9 million, and from Nucleo s own funds (US$ 2 million).

The terms and conditions of the new loans entered into between Nucleo and the Paraguayan banks include, among other standard provisions for this type of transaction, the following clauses:

F-63

17. Subsequent events (continued)

ü the reimbursement of the loan and the payment of compensation shall be made in semiannual payments, the later of which to be paid on February 27, 2009.

ü the debt shall accrue interest at an annual nominal rate of 5.9% for its effective first year, and shall be adjusted according to LIBOR variations, in accordance with the conditions of each contract in particular.

Additionally, and among other standard provisions for this type of transaction, the new contracts stipulate that Nucleo is bound to comply with requirements related to the maintenance of the financial ratios (as, for example, Net financial debt/ EBITDA, Financial debt/equity and liquidity ratio).

u *Letter of Understanding with the Unidad de Renegociación y Análisis de Contratos de Servicios Públicos (UNIREN)* (Renegotiation and Analysis of Contracts of Public Services Division*)*

On March 6, 2006, Telecom Argentina signed a Letter of Understanding with the UNIREN on behalf of the Argentine Government. Upon the fulfillment of the procedures set forth in the rules and regulations presently in effect, the Letter shall constitute the necessary background for the signing of the *Acta Acuerdo de Renegociación del Contrato de Transferencia de Acciones* (Minutes of Agreement of the Renegotiation) approved by Decree No. 2,332/90, as stated in Section 9 of Law No. 25,561.

The main terms and conditions of the Letter of Understanding include:

u The technical supervising offices (CNC and UNIREN) have determined that Telecom Argentina satisfactorily complied with most requirements contemplated in the Transfer Agreement and by the regulatory framework; and those requirements not fulfilled had been dealt with through sanctions; matters relating to Telecom Argentina s usual and regular activities as a Licensee remain pending, and shall be determined by June 30, 2006;

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

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

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

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

u Telecom Argentina s commitment and the commitment of its indirect stockholders 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 petitions already filed or in the process of being filed, in administrative, arbitral or judicial offices, in Argentina or in any other country, that are founded in or related to any act or measure taken after the issuance of the Public Emergency Law with respect to the Transfer Agreement and to the License granted to Telecom Argentina by Decree No. 2,347/90, after 30 days from the end of the public hearing which shall be convened to deal with the Letter of Understanding have elapsed, and to discontinue said claims, appeals and petitions after the Minutes of Agreement of the Renegotiation have been ratified;

u An adjustment shall be made to increase the ending termination charge of international incoming calls to a local area to be equivalent to international values, which is at present strongly depreciated;

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

The Letter of Understanding shall be subject to a public hearing procedure, with the purpose of encouraging the participation of the users and the community in general, taking into consideration that the Letter s terms and conditions shall form the foundation for the signing of the Minutes of Agreement of the Renegotiation. These Minutes of Agreement of Renegotiation shall be in effect once all the requirements stipulated in the regulatory framework are complied with, which among other things, requires that a Telecom Argentina Stockholders Meeting be held to approve said Minutes.

F-64

EXHIBIT INDEX

1.1	*Estatutos* (bylaws) of Telecom, as amended, which include its corporate charter (incorporated by reference to Exhibit 3.1 to Telecom s registration statement on Form F-1 (No. 333-111790)).
1.2	*Estatutos* (bylaws) of Telecom, as amended, which include its corporate charter (English translation) (incorporated by reference to Exhibit 3.2 to Telecom s registration statement on Form F-1 (No. 333-111790)).
2.1	Acuerdo Preventivo Extrajudicial Agreement dated as of August 23, 2004 (incorporated by reference to Telecom s annual report on Form 20-F/A for 2004 dated June 30, 2005).
2.2	Indenture dated August 31, 2005 between Telecom Argentina S.A. as Issuer and The Bank of New York as Trustee, Registrar, Paying Agent and Transfer Agent (incorporated by reference to Telecom s report on Form 6-K dated January 27, 2006).
2.3	First Supplemental Indenture, dated as of March 27, 2006, between Telecom Argentina S.A. as Issuer and The Bank of New York as Trustee, Registrar, Paying Agent and Transfer Agent for Series A Notes due 2014 and Series B Notes due 2011 (incorporated by reference to Telecom s report on Form 6-K dated April 12, 2006).
2.4	Indenture dated December 22, 2005 between Telecom Personal S.A. as Issuer, JPMorgan Chase Bank, N.A. as Trustee, Co-Registrar, New York Paying Agent and New York Transfer Agent, JPMorgan Bank Luxembourg S.A. as Luxembourg Paying Agent and Transfer Agent, Banco Río de la Plata S.A., as Argentina Paying Agent and Transfer Agent and Registrar and JPMorgan Chase Bank N.A., Sucursal Buenos Aires, as Trustee s Representative.*
4.1	Deposit Agreement, dated November 8, 1994, as amended (incorporated by reference to Telecom s registration statement on Form F-6 (No. 333-86048)).
8.1	List of Subsidiaries.
11.1	Code of Business Conduct and Ethics of Telecom (incorporated by reference to Telecom s annual report on Form 20-F for 2004 dated June 29, 2005).
11.2	Code of Business Conduct and Ethics of Telecom (English translation) (incorporated by reference to Telecom s annual report on Form 20-F for 2004 dated June 29, 2005).
12.1	Certification of Carlos Felices of Telecom Argentina S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Valerio Cavallo of Telecom Argentina S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of Carlos Felices and Valerio Cavallo pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Shareholders Agreement between Telecom Italia International, N.V. and W de Argentina Inversiones S.L., dated September 9, 2003 (incorporated by reference to Exhibit 4.3 to Nortel s Annual Report on Form 20-F for 2003).

* Pursuant to Instruction 1(b)(i) to Item 19 of Form 20-F, we undertake to furnish this document upon request of the Commission.