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	Year ended December 31,				
	2009	2008	2007	2006	2005
	(P\$ millions)				
Total net income under Argentine GAAP	1,405	961	884	244	1,334
<i>Valuation differences:</i>					
Foreign-currency translation	—	—	(2)	(12)	(7)
Depreciation of foreign currency exchange differences, net of reversal of its capitalization	10	39	104	104	129
Debt Restructurings	—	—	296	418	(1,230)
Extinguishment of Personal's and Núcleo's restructured debts	—	—	—	5	165
Fair value option for Notes of Telecom Argentina	(253)	205	—	—	—
Other adjustments	(25)	(16)	9	(2)	(5)
Tax effects on US GAAP adjustments	89	(80)	(143)	(185)	328
Valuation allowance	—	—	—	—	424
Noncontrolling interest	15	12	21	19	5
Total net income under US GAAP	1,241	1,121	1,169	591	1,143
Net income attributable to Telecom Shareholders' equity	1,226	1,109	1,148	572	1,138

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

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Exchange Rates

The following tables show, for the periods indicated, certain information regarding the exchange rates for U.S. dollars, expressed in nominal pesos per dollar (ask price). See "Item 10—Additional Information—Foreign investment and exchange controls in Argentina."

	High	Low	Average (1)	End of Period
Year Ended December 31, 2005	3.04	2.86	2.92	3.03
Year Ended December 31, 2006	3.11	3.03	3.07	3.06
Year Ended December 31, 2007	3.16	3.08	3.12	3.15
Year Ended December 31, 2008	3.45	3.03	3.18	3.45
Year Ended December 31, 2009	3.85	3.49	3.75	3.80
Month Ended December 31, 2009	3.82	3.79	3.81	3.80
Month Ended January 31, 2010	3.84	3.79	3.80	3.84
Month Ended February 28, 2010	3.86	3.83	3.85	3.86
Month Ended March 31, 2010	3.88	3.86	3.86	3.88
Month Ended April 30, 2010	3.89	3.87	3.88	3.89
Month Ended May 31, 2010	3.93	3.89	3.90	3.93
Month Ended June 30, 2010 (through June 25, 2010)	3.93	3.92	3.92	3.93

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

Sources: Banco Nación

On June 25, 2010, the closing exchange rate (ask price) quoted by Banco Nación was P\$3.93=US\$1.00.

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

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Risk Factors

You should consider the following risks with respect to an investment in Telecom and investments in Argentine corporations that are not normally associated with investments in the securities of issuers in the United States and other jurisdictions.

Risks Relating to Argentina

Overview

Substantially all of our property, operations and customers are located in Argentina, and a significant portion of our indebtedness is denominated in foreign currencies. Accordingly, our financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina and on the rates of exchange between the peso and foreign currencies. In 2001 and 2002 the Argentine economy experienced a severe recession as well as a political crisis. The abandonment of dollar-peso parity in 2002 led to significant devaluation of the peso against major international currencies and our need to restructure our financial indebtedness. Although Argentina has experienced economic growth and political conditions have shown improvement in recent years, these conditions have affected and may continue to affect our financial condition and results of operations.

Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our debt obligations.

Since we realize a substantial portion of our revenues in Argentina in pesos, any devaluation in the peso may negatively affect the U.S. dollar value of our earnings while increasing, in peso terms, our expenses and capital costs denominated in foreign currency (including costs of servicing our indebtedness denominated in foreign currencies). A depreciation in the Argentine peso against major foreign currencies also may have an adverse impact on our capital expenditure program and increase the amount of our debt obligations. Telecom seeks to manage the risk of devaluation of the peso by entering into certain NDF contracts to purchase U.S. dollars at a fixed rate in order to hedge its exposure to foreign currency fluctuations caused by its financial debt and trading liabilities denominated in foreign currencies. Additionally, Telecom may continue to repurchase its foreign currency-denominated notes in open market transactions in order to reduce its exposure to foreign currency fluctuations. See "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Debt Obligations and Debt Service Requirements" and "Item 11—Quantitative and Qualitative Disclosures About Market Risk."

The Argentine peso has been subject to significant devaluation in the past and may be subject to fluctuations in the future. In the five-month period ended May 31, 2010, the devaluation of the peso against the U.S. dollar was 3.4%. Given the economic and political conditions in Argentina, it is impossible to predict whether, and to what extent, the value of the peso may depreciate or appreciate against the U.S. dollar, the euro or other foreign currencies. We cannot predict how these conditions will affect the consumption of services provided by the Telecom Group or our ability to meet our debt obligations denominated in currencies other than the peso. Moreover, we cannot predict whether the Argentine government will further modify its monetary policy and, if so, what impact any of these changes could have on the value of the peso and, accordingly, on our financial condition and results of operations.

Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins.

In the past, Argentina has experienced periods of high levels of inflation. More recently, levels of inflation have increased since 2005 and have remained relatively high from 2006 to 2009. The recent economic recovery could lead to higher inflation, which may result in increased costs.

The *Instituto Nacional de Estadística y Censos* (the Argentine National Statistics and Census Institute or "INDEC") estimates that the Argentine consumer price increased by 8.5% in 2007, 7.2% in 2008 and 7.7% in 2009; and the wholesale price index increased by 14.6% in 2007, 8.8% in 2008 and 9.9% in 2009. In the five months ending May 31, 2010, the consumer price index in Argentina increased 5.1% and the wholesale price index increased 7.0%. There is a substantial disparity between the inflation indexes published by the INDEC and those estimated by private consulting firms.

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The Argentine government has implemented several actions in order to monitor and control prices for the most relevant goods and services. Despite such actions and the effects of the current global economic crisis, the Argentine economy continues to experience high levels of inflation. If the BCRA issues significant amounts of currency to finance public sector spending, to service public debt, to intervene in the foreign exchange market or to assist financial institutions in distress, or if the value of the peso cannot be stabilized through strict fiscal and monetary policies, a significant increase in inflation rates can be expected.

In addition, public sector spending has increased over the past years, a trend, that if continued, may cause the government to incur a fiscal deficit and lead to higher inflation. Since the majority of our revenues are denominated in pesos, any further increase in the rate of inflation not accompanied by a parallel increase in our rates would decrease our revenues in real terms and adversely affect our results of operations. As discussed below under "Risks Associated with Telecom and its Operations," Telecom Argentina's ability to increase its regulated rates is subject to approval of regulatory authorities. We cannot guarantee that any possible rate increase will be sufficient to counter the effect of inflation and we cannot assure you that the results of any future rate negotiations will be favorable to us and to our financial condition.

Future policies of the Argentine government may affect the economy as well as the operations of the telecommunications industry.

The Argentine government has historically exercised significant influence over the economy, and telecommunications companies in particular have operated in a highly regulated environment. Due to the Argentine economic crisis of 2001 and 2002, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. In this context, the CNC adopted new interpretations of applicable regulations and imposed fines on telecommunications companies, particularly incumbent operators such as our company. See "Item 8—Financial Information—Legal Proceedings" for more information. In addition, local municipalities in the regions where we operate have also introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed line and wireless networks. Local and federal tax authorities have also brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. However, we cannot assure you that the laws and regulations currently governing the economy or the telecommunications industry will not change, that the claims will be resolved in our favor, or that any changes to the existing laws and regulations will not adversely affect our business, financial condition or results of operations.

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

The recent global financial crisis has resulted in a significant reduction in global GDP and a loss in consumer confidence in the financial sectors of many countries. In order to improve the countries' financial condition and assist certain troubled industries, certain governments have responded with extraordinary intervention in the private sector. Certain governments of the leading industrialized nations have implemented various financial rescue plans outlining new regulatory frameworks that would be expected to remain in effect at least until market conditions and investor and consumer confidence have stabilized.

In November 2008, Argentina nationalized, through Law No. 26,425, all of its private pension and retirement system, which had been previously administered by the AFJP, and appointed ANSES as its administrator. Argentina's nationalization of its pension and retirement system constitutes a significant change in the government's approach to exercising influence over Argentina's main publicly-traded companies. On average, approximately 20% of the share ownership and a significant portion of the public float of these companies were owned by the AFJP and are now held by ANSES.

The government could exercise influence over corporate governance decisions of companies in which it owns shares by combining its ability to exercise its shareholder voting rights to designate board and supervisory committee members with its ability to dictate tax and regulatory matters. Additionally, since the AFJP were significant institutional investors in Argentina, the nationalization of the private retirement system affected the levels of access to financing in capital markets for publicly-traded companies. The role that the government will play, acting through ANSES, in making investments in new issuances of equity and debt in capital markets, is unclear due

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to the absence of clearly established policies. This has reduced the volume of trading and on the liquidity of Argentina's capital markets. Furthermore, ANSES' selection criteria for electing individuals to boards of directors in publicly-traded companies in which it owns shares is still unknown, as are its mandates to directors or supervisory committee members of said companies and the government's response to situations such as, among others, companies' participation in governmental bidding processes. Until the government's practices and policies are defined, these matters could create uncertainties for investors of public companies in Argentina, including Telecom Argentina.

Article 8 of Law No. 26,425 (which ratifies Article 76(f) of Law 24,241) limits ANSES' voting power to 5% of the company's total voting shares, even if ANSES holds a greater ownership position. However, there is a risk that ANSES could claim full voting rights at annual shareholder meetings, rather than limiting its voting rights to 5% of company shares, in accordance with the limitation prescribed by Law No. 26,425. In fact, ANSES has already attempted to exercise voting powers commensurate with its total share ownership at various shareholder meetings of many companies, including Telecom Argentina. In the majority of these cases, these companies have opposed ANSES' actions and the parties have reached an agreement. As of the date of this Annual Report, the CNV has not yet taken a particular stance on this matter.

It is difficult for us to predict the actions that the ANSES will take at Telecom Argentina's next shareholders' meeting. Additionally, we cannot predict the impact on the Company's corporate matters if ANSES were to designate members of the Company's Board and/or Supervisory Committee.

Argentina's economy may not continue to grow at current rates or may contract in the future.

The effects of the recent global financial crisis and general weakness in the global economy may negatively affect emerging economies like Argentina. Although Argentina has experienced economic growth in recent years, current global financial instability has impacted and may continue to impact the Argentine economy and cause Argentina to return to a period of recession, fiscal deficit, higher inflation, unemployment and greater social unrest.

The recent global financial crisis has affected the Argentine economy in a number of ways, including the following: reduction in the level of economic activity and the level of investments, increased pressure on the devaluation of the peso as a result of greater investor and public risk aversion, a decline in Argentina's export product prices, contraction of consumer and investor spending and a significant drop in the primary fiscal surplus.

Although the current state of the international financial markets in terms of volatility, liquidity and access to credit has improved as compared to the second half of 2008 and most of 2009, several factors remain that could affect the global financial markets, such as, among other factors, a growing concern regarding government deficits, governments' abilities to honor their respective sovereign debts and general uncertainty about the global economic recovery. If international economic conditions were to worsen, Argentina could be negatively affected as a result of lower international demand for its products and services, higher international interest rates, lower capital inflows and higher risk aversion. These factors could cause the Argentine economy to contract.

Substantially all of our operations, properties and customers are located in Argentina, and, as a result, our business is, to a large extent, dependent upon economic conditions prevailing in Argentina. If economic conditions in Argentina were to deteriorate, they would be expected to have an adverse effect on our financial condition and results of operations.

Argentina continues to face economic, legal and political uncertainty.

Although general economic conditions have shown improvement, and political protests and social disturbances have diminished considerably since the economic crisis of 2001 and 2002, the rapid and radical nature of the changes in the Argentine social, political, economic and legal environment over the past several years have given rise to uncertainties about the country's economic and political future.

In the event of further economic, social or political crises, companies in Argentina may face the risk of civil and social unrest, strikes, expropriation, nationalization, forced renegotiation or modification of existing contracts, and changes in taxation policies including tax increases and retroactive tax claims. In addition, Argentine courts have issued rulings changing existing jurisprudence on labor matters and requiring companies to assume increasing

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responsibility for and assumption of costs and risks associated with utilizing sub-contracted labor. Since we operate in a context in which the governing law and applicable regulations change frequently, it is difficult to predict whether our commercial activities will be affected positively, negatively or at all by such changes.

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

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

The Argentine government implemented a debt restructuring effort through a debt exchange offer that closed on February 25, 2005. Despite a 76.15% acceptance of the offer, amounts not tendered for exchange totaled approximately US\$20 billion. The settlement of the debt exchange was completed on June 2005 and, in 2006, the Argentine government made an early repayment of Argentina's debt to the IMF, which involved a disbursement of US\$9.5 billion. Nonetheless, a number of bondholders who held out from the exchange offer have initiated legal actions against the Argentine government. A judgment against the Argentine government in these pending cases could reduce sources for funding and investment capital and could potentially impact the government's ability to adopt measures that promote economic growth.

Recently, the Argentine government made progress on another attempt to restructure its public debt, thereby, potentially significantly reducing the levels of country risk. Nonetheless, the implementation of this restructuring plan has been delayed by disagreements regarding the use of Central Bank reserves to repay the outstanding public debt, a measure that has been challenged by courts and has been criticized for its possible inflationary effects on the economy. In April 2010, the

Argentine government announced an exchange offer for the unstructured debt. It is expected that this process will be completed in late June.

After the economic crisis in 2001, the Argentine government has maintained a policy of fiscal surplus. To be able to repay its debt, the Argentine government may be required to continue adopting austere fiscal measures that could adversely affect economic growth.

As of December 31, 2009, the outstanding principal amount of Argentina's public debt was equivalent to US\$147,119 billion (of which approximately 54.06% is denominated in foreign currency). There can be no assurance that the Argentine government will not default on its obligations under its bonds in the event that it experiences another economic crisis. A new default by the Argentine government could lead to a new recession, higher inflation, restrictions for Argentine companies to access funds, and unemployment and social unrest, which would negatively affect our financial condition, funding and results of operations.

The Argentine banking system may be subject to instability.

The Argentine banking system collapsed during 2001 and 2002 when the Argentine government restricted bank withdrawals and required the conversion of dollar deposits to pesos. From 2005 to 2007, a period of economic growth coupled with relative stability of the country's exchange rate and inflation resulted in the restoration of public confidence, a gradual accumulation of deposits in Argentine financial institutions, and improved liquidity of the financial system. However, since 2008 certain events such as conflicts between the Argentine government and certain sectors of the economy, together with the international financial crisis, have deteriorated depositors' confidence, leading to a slowdown in the growth of deposits, an increase in the dollarization of certain deposits and an increase in interest rates on loans granted to the non-financial sector.

In the first half of 2009, midterm elections and certain expectations of a further devaluation of the peso impacted the Argentine financial system. Deposits decreased to levels below previous periods, while deposits

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denominated in U.S. dollars rose strongly. However, in the second half of 2009, deposits denominated in pesos have regained strength due to the recovery of the domestic and global economies. The private sector's capital outflow reached approximately US\$8.4 billion in 2009, most of such increase having occurred in the first half of the year. This trend reversed in the first quarter of 2010, with a capital inflow of approximately US\$7 million.

Despite improvements in stability since 2002 and the high level of reserves held by the BCRA, we cannot be sure that another collapse will not occur in the future. The Argentine banking system's collapse or the collapse of one or more of the larger banks in the system would have a material adverse effect on the prospects for economic growth and political stability in Argentina, resulting in a loss of consumer confidence, lower disposable income and fewer financing alternatives for consumers. These conditions would have a material adverse effect on us by resulting in lower usage of our services and the possibility of a higher level of delinquent and uncollectible accounts.

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

Under Argentine law, a shareholder's liability for losses of a company is limited to the value of his or her shareholdings in the company. Under Argentine law, however, shareholders who vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's bylaws (or regulations, if any) may be held jointly and severally liable for damages to such company, to other shareholders or to third parties resulting from such resolution. In connection with recommending any action for approval by shareholders, Telecom Argentina's Board of Directors frequently obtains and plans to obtain, opinions of counsel concerning the compliance of the actions with Argentine law and Telecom Argentina's bylaws (or regulations if any). Although the issue is not free from doubt, based on advice of counsel, Telecom Argentina believes that a court in Argentina in which a case has been properly presented would hold that a noncontrolling shareholder voting in good faith and without a conflict of interest in favor of such a resolution and based on the advice of counsel that such resolution is not contrary to Argentine law or the Company's bylaws or regulations, would not be liable under this provision.

Risks Associated with Telecom and its Operations

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

In accordance with the Public Emergency Law, in January 2002, rates for Basic telephone services and long distance services were converted to pesos and fixed at an exchange rate of P\$1.00=US\$1.00. The rates Telecom Argentina may charge in the future will be determined by negotiation between Telecom Argentina and the Argentine government. According to the Public Emergency Law, while undertaking these negotiations, the Argentine government must consider the effect of these rates on the competitiveness of the general economy, the quality of service and investment plans of service providers, as contractually agreed. The Argentine government must also consider consumer protection, accessibility of the services and the profitability of public services providers such as Telecom Argentina. The Public Emergency Law has been subsequently extended through December 31, 2011. See "Item 4—Information on the Company—Regulatory Framework—Regulatory Environment—Rates."

On March 6, 2006, Telecom Argentina executed a Letter of Understanding (the "Letter of Understanding 2006") with the Argentine government pursuant to which Telecom Argentina will be permitted to raise certain rates and incorporate certain modifications to the current regulatory framework. Under the Letter of Understanding 2006, the only agreed upon adjustments to the rate structure were the rate increases to the termination charge for international incoming calls and the extension of the time bands for peak-hour rates applied to local and domestic long distance calls. See "Item 4—Information on the Company—Regulatory Framework—Regulatory Environment—Rates—Letter of Understanding 2006."

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

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Rate restrictions may continue for a number of years and may affect revenues from fixed line and other services. While we intend to continue to strive to control operating costs and capital expenditures and improve productivity, those efforts may

not offset, in whole or in part, the decline in operating margins that may result from mandatory rate freezing and the increase in costs due to high levels of inflation.

Additionally, since the end of the 2005, the Argentine government has implemented various measures to control inflation such as price controls of certain goods and services. It is possible that services not currently regulated in this manner by the Argentine government may be the subject to future price controls or that similar mechanisms affecting our economic and financial situation may be implemented.

We must comply with conditions in our license, and regulations and laws related thereto, and such compliance may at times be outside of our control.

We are subject to a complex series of laws and regulations with respect to most of the telecommunications services we provide. Such laws and regulations are often governed by considerations of public policy. We provide telecommunications services pursuant to licenses that are subject to regulation by various regulatory bodies. Any partial or total revocation of the licenses would be likely to have a material adverse impact on our financial condition and results of operations. Our dissolution and the declaration of bankruptcy, among others, are events which may lead to a revocation of our licenses.

Certain license conditions are not within our control. For example, any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina without prior approval of the regulatory authorities may result in the revocation of Telecom Argentina's license. Pursuant to the provisions of Telecom Argentina's List of Conditions as amended by Resolutions S.C. No. 111/03 and No. 29/04: (i) any reduction of ownership of Nortel in our capital stock to less than 51% without prior approval of the Regulatory Bodies; or (ii) any reduction of ownership of currently common shareholders in the capital stock with voting power of Nortel to less than 51% without prior approval of the Regulatory Bodies, may result in the revocation of Telecom Argentina's telecommunications license.

Nortel owns all of our Class A Ordinary Shares (51% of our total capital stock) and approximately 8.35% of our Class B Ordinary Shares (3.74% of our total capital stock) which, in the aggregate, represents approximately 54.74% of our total capital stock. We are directly controlled by Nortel by virtue of Nortel's ownership of a majority of our capital stock; however, Nortel's controlling interest is subject to certain agreements among Sofora's shareholders. In addition, the Telecom Italia Group and W de Argentina-Inversiones (a company that is part of the Argentine Wertheim Group) are each required to maintain direct ownership of at least 15% of the common stock of Sofora.

As of the date of this Annual Report, we cannot predict if any measures will be taken by Regulatory Bodies, the CNDC, or other relevant authorities, and whether, if taken, they will affect our operations or the price of Telecom Argentina's shares, among other things.

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

We compete with licensed provider groups, comprised of, among others, independent fixed line service providers, wireless (cellular) and cable operators, as well as individual licensees, some of which are affiliated with major service providers outside Argentina. As of December 31, 2009, more than 500 licenses for local and/or long distance services, payphones and Value Added Services had been granted since the end of the exclusivity period.

We expect that we will face pressure on the rates we charge for services and we could experience a loss of market share for Voice, Data and Internet services as a result of this competition, particularly in the long distance service and Internet businesses. In addition, the market for wireless services is very competitive given the substantial telecommunications experience of many of our competitors. The Internet services and wireless telecommunications markets, which we expect will continue to account for an increasing percentage of our revenues in the future, are characterized by rapidly changing technology, evolving industry standards, changes in customer preferences and the frequent introduction of new services and products. To remain competitive in the Voice, Data and Internet services market, we must invest in our fixed-line network and information technology in order to maintain and improve service quality, sustain the growth in broadband services and continue developing the NGN. Specifically, in the

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Internet services market, we must constantly upgrade our access technology and software, embrace emerging transmission technologies and improve the responsiveness, functionality, coverage and features of our services. To remain competitive in the wireless telecommunications market, we must enhance our wireless networks by expanding our network infrastructure and extending 3G technology and bandwidth for mobile data transmission. We also aim to facilitate the synergy between fixed and mobile communications. In the Wireless segment, we expect to continue to devote resources to customer retention and loyalty and to the replacement of handsets due to technological updates. These enhancements and the introduction of new services will demand increased capital expenditures and high subscriber retention costs. We must also adapt to changing market conditions. Future technological developments may result in decreased customer demand for certain of our services or even render them obsolete. In addition, as new technologies develop, equipment may need to be replaced or upgraded or network facilities (in particular, wireless network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. Responding to these changes may require us to devote substantial capital to the development, procurement or implementation of new technologies.

We also anticipate that we will have to devote significant resources to the refurbishment and maintenance of our existing network infrastructure in order to comply with regulatory obligations regarding fixed line services and to remain competitive with the quality of our services.

The macroeconomic situation in Argentina may adversely affect our ability to successfully invest in, and implement, new technologies, coverage and services in a timely fashion. Accordingly, we cannot assure you that we will have the ability to make needed capital expenditures and operating expenses. If we are unable to make these capital expenditures, or if our competitors are able to invest in their businesses to a greater degree than we are, our competitive position will be adversely impacted.

Moreover, the products and services we offer may fail to generate revenues or attract and retain customers. If our competitors present similar or better responsiveness, functionality, services, speed, plans or features, our customer base and our user traffic may be materially affected.

Competition is and will continue to be affected by our competitors' business strategies and alliances. Accordingly, we may face additional pressure on the rates we charge for our services or experience loss of market share in these areas. In addition, the general business and economic climate in Argentina, including economic turbulence and changes in levels of growth, interest rates, inflation rates and the instability of the dollar/peso exchange rate may affect us and our competitors differently, potentially to our relative disadvantage. We also expect that the level of competition in our markets will continue to increase in the future.

In light of the range of regulatory, business and economic uncertainties we face, as discussed in this "Risk Factors" section, it is difficult for us to predict with meaningful precision and accuracy our future market share in relevant

geographic areas and customer segments, the speed with which change in our market share or prevailing prices for services may occur or the effects of competition. Those effects could be material and adverse to our overall financial condition and results of operations.

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

The SC is responsible for the allocation of bands in the wireless spectrum within promulgated regulations. Telecom Personal cannot guarantee that its requests to participate in the reallocation process related to the bands to be released by Telefónica Móviles, S.A. will be granted, or that the frequency bands will not be reallocated to existing or future competitors of Telecom Personal, negatively affecting Telecom Personal's competitive position and its ability to offer cellular services to its customers on a competitive basis. See "Item 4—Information on the Company—Regulatory Framework—Other Regulatory Regulations—Regulations Applicable to PCS Services" for a detailed description of Telecom Personal's license.

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Nortel, as our controlling shareholder, and Sofora as Nortel's controlling shareholder, exercise control over significant matters affecting us.

Nortel is our direct controlling shareholder. Sofora owns 100% of the common stock of Nortel, which represents 67.79% of the total capital stock of Nortel. Sofora is 50% owned by Telecom Italia Group and 50% owned by W de Argentina-Inversiones.

Through their ownership of Sofora, the Telecom Italia Group and W de Argentina-Inversiones have, as a general matter, the ability to determine the outcome of any action requiring our shareholders' approval, including the ability to elect a majority of directors. In addition, we have been informed that pursuant to the shareholders' agreement entered into between the Telecom Italia Group and the Wertheim Group, the Telecom Italia Group and W de Argentina-Inversiones have agreed amongst themselves certain matters relating to the election of our directors and those of Nortel and Sofora and have given W de Argentina-Inversiones veto power with respect to certain matters relating to us where the Telecom Italia Group would otherwise prevail. However, as a result of the legal proceedings described below under "Our principal indirect shareholders are involved in various legal proceedings which impact our corporate governance and may result in changes of ownership by our controlling shareholders," the influence of the Telecom Italia Group has been limited by judicial and administrative resolutions and the Telecom Italia Group and the Wertheim Group were not able to elect new directors at the shareholders' meeting held on April 28, 2010. See "Item 8—Financial Information—Legal Proceedings—Legal Proceedings Relating to Share Ownership."

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

Nevertheless, any transactions with related parties for an amount of over 1% of Telecom Argentina's shareholders' equity are subjected to a prior approval process established by Decree No. 677/01 and requiring involvement of the Audit Committee and/or an opinion of two independent valuation firms as well as subsequent approval by the Board of Directors in order to verify that the agreement could reasonably be considered to be in accordance with normal and habitual market practice. See "Item 7—Major Shareholders and Related Party Transactions—Related Party Transactions."

Our principal indirect shareholders are involved in various legal proceedings which impact our corporate governance and may result in changes of ownership by our controlling shareholders.

Our principal indirect shareholders are party to a number of legal proceedings which have affected and may continue to affect Telecom Argentina's Board of Directors and matters of corporate governance and may result in changes of ownership by our controlling shareholders. W de Argentina-Inversiones S.L., one of Telecom Argentina's principal indirect shareholders, has initiated certain legal proceedings against another principal indirect shareholder of Telecom Argentina, Telecom Italia S.p.A. and the members appointed at the request of Telecom Italia S.p.A. to Telecom Argentina's Board of Directors, alleging, among other things, that Telefónica, S.A. (of Spain)'s stake in Telco S.p.A. engenders a conflict of interest and violates the Argentine Telecommunications regulatory framework, since Telefónica, S.A. (of Spain), the parent company of Telecom Argentina's main competitor -Telefónica de Argentina S.A.- has an ownership stake in Telecom Italia S.p.A.

Various Argentine antitrust and regulatory authorities, and judicial bodies in related proceedings, have issued a series of rulings in connection with the transaction by which Telefónica (of Spain) acquired its stake in Telco S.p.A. These actions affect the exercise of the voting rights of certain of Telecom's shareholders, Telecom Italia International N.V. and Telecom Italia S.p.A., and members of the board of directors of Telecom Argentina appointed at the request of Telecom Italia S.p.A. Argentine courts have also repeatedly postponed Telecom Argentina's annual shareholders meetings and board meetings and suspended consideration of certain matters at the shareholders' meeting scheduled for April 28, 2010. These suspended agenda items include, among other things, the election of the directors to Telecom Argentina's board and members of the Supervisory Committee. Although Telecom and the Telecom Italia Group have filed appeals and sought other relief from these actions, we do not know when or if the voting rights will be restored or whether similar actions will be taken in the future.

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In addition, the CNDC and judicial bodies in related proceedings have issued orders relating to certain internal governance matters and it is possible that other resolutions will be issued in the future that affect our governance matters.

Argentine antitrust and regulatory authorities and judicial bodies in related proceedings have also instituted legal proceedings relating to the Telecom Italia Group's ownership in our parent company, Sofora, which proceedings may affect the Telecom Italia Group's ownership of Telecom Argentina. On December 29, 2008, the CNDC issued a resolution stating that the Telecom Italia Group must refrain from exercising, assigning, transferring or taking any other action with respect to certain call options that it holds with respect to shares of Sofora owned by W de Argentina-Inversiones S.L. This resolution was annulled by Chamber A of the Criminal Economic Court of Appeals on June 17, 2010. Additionally, the SCI issued an order that would, if implemented, require the Telecom Italia Group to divest its entire direct and indirect ownership interest in Telecom Argentina. However, Chamber A of the Criminal Economic Court of Appeals annulled this resolution and ordered "that a new resolution be issued through the appropriate authority and through a new proceeding."

Regulatory review and litigation over the matters described above are ongoing, and we cannot predict the outcome of these proceedings, or the effect that the proceedings may have on our governance matters, share ownership or our operations. For further detail, see "Item 8—Financial Information—Legal Proceedings—Legal Proceedings Relating to Share Ownership."

Our operations and financial condition could be affected by union activity.

In Argentina, labor organizations have substantial support and have considerable political influence. In recent years, the demands of our labor organizations have increased as a result of the increase in cost of living (which was affected by the increased level of inflation) and salaries in Argentina. Certain claims initiated in 2005 by labor organizations with respect to fixed line services led to negotiations that resulted in the improvement of salary levels and a reduction of working hours. See "Item 8—Financial Information—Legal Proceedings—Civil, tax, commercial, labor and regulatory proceedings—Labor Claims." Moreover, certain labor organizations have advocated that certain of our non-unionized employees should be represented by trade unions. Union organizations could also request that we delegate currently outsourced tasks to Company employees. Furthermore, if the number of employees covered by trade unions increases, we may incur increased costs for the higher compensation that we and our contractors may need to pay to unionized employees.

In this context, we reached several agreements with various labor organizations representing our fixed-line telephony employees, in particular. Please see "Item 8—Financial Information—Legal Proceedings—Civil, tax, commercial, labor and regulatory proceedings—Labor Claims."

The Argentine government may order salary increases to be paid to employees in the private sector or changes in labor regulations, which would increase our cost of doing business.

The Argentine government has in the past and may in the future promulgate laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees (including higher levels of severance payments to former employees dismissed without proper cause). In the aftermath of the 2002 Argentine economic crisis, both the government and private sector companies have experienced significant pressure from employees and labor organizations relating to wage levels and employee benefits. However, since early 2005, the Argentine government has decided not to order new salary increases by decree. We cannot guarantee that the government will not again adopt measures that will increase salaries or require us to provide additional benefits, which would increase our costs and, among other things, in the absence of an adjustment of regulated rates, reduce our profitability.

Moreover, the Argentine Congress has discussed certain modifications to labor regulations that, if approved, could materially impact our relationship with our employees by increasing the labor cost and decreasing the flexibility to provide services to our clients.

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We are involved in various legal proceedings which could result in unfavorable decisions and financial penalties for us.

We are party to a number of legal proceedings, some of which have been pending for several years. We cannot be certain that these claims will be resolved in our favor, and responding to the demands of litigation may divert management time, attention, and financial resources.

In addition, in recent years, certain changes in the treatment of employment matters under Argentine law have created new incentives for individuals to pursue employment-related litigation in Argentine courts. These changes include holdings that an employee of a subcontractor may file a direct action against the firm contracting the work, that any cap on severance pay in cases of dismissal without cause is unconstitutional, that an employee may bring a civil action in the event of an occupational accident, and the passage of an amendment to the Argentine Employment Contract Act to restrict an employer's ability to change the form and conditions of work expected of an employee.

Recently, the Argentine Supreme Court has recognized that certain benefits paid by employers to employees qualify as part of employees' compensation under the Argentine Employment Contract Act. Additionally, certain organizations such as trade unions, OSTEL (Social Work Association of Telephone Workers and Employees of Argentina) and the Compensation Fund have filed complaints against Telecom Argentina objecting to the differences in the calculation of social contributions and have obtained favorable rulings for these claims.

As a result of these changes, Telecom Argentina may face increased risk of individual and collective employment litigation. If this occurs, we cannot guarantee that this litigation will not have an adverse effect on our results of operations and financial condition.

Moreover, in 2009, the environmental agency required Telecom Argentina to be registered in the National Registry of Generators and Operators of Hazardous Waste (as it had been previously required to do in 1999). This registration would require Telecom Argentina to pay an annual fee calculated in accordance with a formula that takes into consideration the extent of the hazard and the quantity of the waste. Telecom Argentina filed a request for administrative review seeking to obtain rejection of the environmental agency's ordinance. We cannot guarantee that the rejection will be obtained. If such rejection is not obtained, Telecom Argentina would face increased costs which may include retroactive fees.

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

We may be subject to measures by the Argentine government that may modify or impose obligations to provide telecommunications services without or with reduced compensation which may result in losses.

Certain regulatory measures that are still pending implementation, including regulations governing the unbundling of the local access (commonly known as local loop) and number portability, could have the effect of increasing competition for the services we offer and increasing capital expenditures. Moreover, the Argentine government could modify some of the current regulations, without granting the Company its corresponding compensation for changes in service requirements, could change its interpretation of existing regulations or introduce new obligations such as, among others, those relating to Universal Service regulation (See "Item 4—Information on the Company—Regulatory Framework—Regulatory Environment—Decree No. 764/00"), those relating to the provision of new customer services and those resulting from the pending 2000 and 2001 Price Cap SC reviews. Any such changes could have a material impact on our operations.

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

The Consumer Protection Act No. 24,240, as amended and/or supplemented (the "Consumer Protection Act") establishes a series of principles and rules for the protection of consumers and users. The Consumer Protection Act applies to the telecommunications industry and to any other industry in which consumers and users are involved.

On March 12, 2008, the Argentine Congress passed the legislative bill to reform the Consumer Protection Act, which was promulgated by the Executive Branch in Decree No. 565/2008 dated April 3, 2008, and published in the Official Bulletin on April 7, 2008.

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This reform substantially amends various aspects of the Consumer Protection Act, the most important of which are: (i) the extension of the definition of a consumer; (ii) an increase in the fines that could be imposed to providers and the possibility that relevant administrative authorities may order providers to pay direct damages up to a maximum amount; (iii) the courts may order providers to pay punitive damages to consumers up to a maximum amount of P\$5 million, depending on the seriousness of the breach, among other circumstances; and (iv) provisions governing the possibility that consumer associations commence class actions in representation of the rights of an indeterminate group of consumers.

These amendments may increase the number of legal actions commenced against various companies that provide goods and services to individual users or consumers. This possibility may entail risks for Telecom Argentina and Personal concerning, among others, the prices charged for its services, or the obligation to return amounts charged for its services. If such were the case, any of such consequences could have an adverse effect on our financial situation and on the results of our operations.

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

In the past, the Argentine government has imposed a number of monetary and currency exchange control measures, including restrictions on the free disposition of funds deposited with banks and restrictions or limitations on the access to foreign exchange markets and transfers of funds abroad, including for purposes of paying principal and interest on debt, trade liabilities to foreign suppliers and dividend payments to foreign shareholders. Although most significant restrictions or limitations have been eliminated, certain restrictions imposed by the BCRA on the access to foreign exchange markets and transfer of funds continue to apply to us and may in the future limit our ability to make payments on our debt to creditors and trade liabilities outside of Argentina. There can be no assurance that the BCRA will not increase restrictions for making payments of principal, interest and/or trade liabilities to our foreign creditors, dividend payments to foreign shareholders or require its prior authorization for such purposes, which would limit our ability to service our debt and/or comply with payments related to trade contracts with foreign suppliers. See "Item 10-Additional Information-Foreign Investment and Exchange Controls in Argentina."

Fluctuations in Telecom Argentina's share price depend on various factors, some of which are outside of our control.

The market price of our shares is subject to change due to various factors which are outside of our control such as changes in market expectations, changes in the economic and political situation of Argentina, changes in measures used by investors or analysts to value our stock or market trends unrelated to our performance and operations. We cannot predict when such external factors will affect our stock price or whether their effects will be positive or negative.

In addition, future conversions of Telecom Argentina's Class C Shares could affect the trading price of Telecom Argentina's shares if a large number of converted shares are sold in the public markets within a short time period. See "Item 6-Directors, Senior Management and Employees-Share Ownership-Share Ownership Plan."

Finally, currency fluctuations could impact the value of an investment in Telecom Argentina. Although Telecom Argentina's ADSs listed on the New York Stock Exchange are U.S. dollar denominated securities, they do not eliminate the currency risk associated with an investment in an Argentine company.

Our consolidated financial statements under Argentine GAAP may not give you the same information as financial statements prepared under US GAAP or IFRS.

There is a lower level of regulation of the Argentine securities markets and of the activities of investors in these markets as compared with the securities markets in the United States and certain other developed countries. We maintain our financial books and records and prepare our financial statements in conformity with Argentine GAAP, which differs in certain significant aspects from US GAAP. In this regard, we have included a description of the principal differences between Argentine GAAP and US GAAP as they relate to us in Note 15 to our Consolidated Financial Statements.

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In March 2009, the FACPCE approved Technical Resolution ("RT") 26, adopting IFRS as issued by the International Accounting Standards Board ("IASB"). The CNV subsequently adopted RT 26 through Resolution No. 562/09 for certain public companies such as Telecom Argentina. This Resolution requires Telecom to prepare its financial statements in accordance with IFRS for fiscal years beginning January 1, 2012, and permits early adoption of IFRS for fiscal years beginning January 1, 2011. We have not quantified the impact that the adoption of IFRS would have on our financial condition or results of operations and therefore we cannot assure you that its adoption will not have an adverse effect on our financial condition or results of operations. However, we have provided you with a summary of the significant differences between Argentine GAAP and IFRS as they relate to us in Note 16 to our Consolidated Financial Statements.

ITEM 4. INFORMATION ON THE COMPANY

INTRODUCTION

The Company

Telecom is one of the largest private-sector corporations in Argentina in terms of revenues. Telecom Argentina has a non-expiring license (the "License") to provide fixed-line telecommunications services in Argentina. We also provide other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and Internet services, and through our subsidiaries, wireless telecommunications services and international wholesale services.

As of December 31, 2009, our telephone system included approximately 4.4 million lines in service. This is equivalent to approximately 22 lines in service per 100 inhabitants in the Northern Region of Argentina and 394 lines in service per employee.

As of December 31, 2009, our Internet business has approximately 1.3 million customers and our Wireless reportable segment has approximately 14.5 million customers in Argentina and approximately 1.8 million customers in Paraguay.

Business Strategy

We pursue a business strategy focused on increasing our market share in each of our segments, increasing our profitability and maximizing value generation for our customers, shareholders, employees and the broader community we serve. In order to promote the achievement of our goals and minimize possible adverse effects on our business due to macroeconomic conditions and industry-specific regulation, we continually adapt our business strategy through investments in product innovation and development of additional complementary services aimed at improving our customers' user experience.

Our priorities still lie in operational efficiency and the effectiveness of the planning and control processes. We view