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1. Telecom Argentina announces consolidated financial statements at September 30, 2002 and 2001 (Unaudited)..... 3

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Telecom Argentina STET-France Telecom S.A.

Date: November 26, 2002

By: /s/ Christian Chauvin

Name: Christian Chauvin
Title: Vice-President

ITEM 1

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2002 (Unaudited)

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

CONSOLIDATED FINANCIAL STATEMENTS AT
SEPTEMBER 30, 2002 AND 2001 (Unaudited)

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\$: Argentine peso

US\$: U.S. dollar

\$3.74 = US\$1

SUMMARY INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2002

(Amounts in millions of Argentine constant pesos or as expressly indicated)

Telecom Argentina reached a consolidated net loss of 4,154 for the nine-month period of fiscal year 2002, ended September 30, 2002. Comparatively, consolidated net income for the nine-month period ended September 30, 2001, was 142.

Gross profit (loss), EBITDA, operating profit (loss) and net income (loss) for the nine-month period of fiscal year 2002 represented 31%, 48%, (6%) and (140%) of net sales, respectively; compared with 50%, 42%, 15% and 3%, respectively, for the similar period of fiscal year 2001.

The main factors contributing to the decline in margins were: a) the current macroeconomic environment in Argentina, including the devaluation and subsequent volatility in the peso plus the inability of the Company to increase regulated tariffs after the "pesification" of such tariffs at the rate of US\$1=\$1 enforced by the Argentine Government, b) the effects of the inflation adjustment described below and c) the decrease in traffic in the basic telephony business (mainly in the domestic and international long distance services), and the declines in both traffic and average revenue per user in the cellular business. All of these factors have affected revenues of the Company.

The Company has accounted for the effects of inflation adjustment adopted by Resolution No. 415/02 of the National Securities Commission ("CNV") for fiscal years beginning January 1, 2002. The Resolution stated that the figures corresponding to previous fiscal years should be considered in constant pesos of December 31, 2001. Therefore, the Company has restated the figures corresponding to September 30, 2001, presented herein for comparative purposes, using an adjustment factor of 2.212 which represents the wholesale rate of inflation during the first nine months of 2002. Accordingly, the figures corresponding to the nine-month period ended September 30, 2002 include the

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effects of the adoption of inflationary accounting.

Moreover, the Company is providing additional information for a better comprehension of the business including figures that have not been adjusted by inflation and which were used as the base for the information presented in constant pesos. This information, that is not required by Argentine GAAP, is disclosed in Note 18 "Relevant Additional Data" of these consolidated financial statements.

Nine month periods ended September 30,	2002	2001
Net sales	2,961	5,116
Cost of services provided	(2,049)	(2,553)
Gross profit	912	2,563
Administrative expenses	(231)	(429)
Sales expenses	(859)	(1,356)
Operating profit (loss)	(178)	778
Equity losses from related companies	(28)	(18)

I

Financial and holding results	(5,840)	(367)
Other expenses, net	(115)	(110)
Unusual losses	-	(24)
Net income (loss) before income tax and minority interest	(6,161)	259
Income tax	2,003	(117)
Minority interest	4	-
Net income (loss)	(4,154)	142
Earnings per share (in pesos)	(4.22)	0.14

II

1. Company activities

o Consolidated net revenues

Consolidated net revenues for the nine-month period of fiscal year 2002 totaled 2,961, a decrease of 2,155 or 42%, compared with 5,116 for the same period of fiscal year 2001 as a result of the inflation adjustment of the figures as of September 30, 2001 and the rates that were frozen after the "pesification" enforced by the Government. Non-adjusted by inflation revenues for the period would have reached 2,209, a decrease of 104 or 4% mainly as a consequence of the "pesification" and freeze of regulated rates and to lower traffic.

In the basic telephony business, the main component of revenues, measured service, decreased by 549 or 41% to 789 during the nine-month period of fiscal year 2002 as compared to the same period of fiscal year 2001. Non-adjusted figures would have shown a decreased of 30 or 5% reaching 575. The decrease was

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evidenced both in local and domestic long distance traffic as the rates were frozen after the "pesification" enforced by the Government and the deterioration of the macroeconomic conditions in the country that had a negative impact on consumption patterns.

Total traffic volume measured in minutes decreased by 7% for the nine-month period of fiscal year 2002 when compared to the same period of fiscal year 2001. Furthermore, urban traffic measured in minutes decreased by 7% and DLD traffic decreased by 6% when compared to the same period of fiscal year 2001.

Monthly basic charges decreased by 400 or 43%, to 522 for the nine-month period of fiscal year 2002 when compared to the same period of fiscal year 2001. Non-adjusted figures would have shown a decrease of 44 or 11% reaching 373 mainly due to the fact that rates were frozen after the "pesification" enforced by the Government and to a lower average number of lines in service of approximately 353,000 lines.

Revenues from supplementary services decreased by 94 or 49% to 98 for nine-month period of fiscal year 2002 when compared to the same period of fiscal year 2001. Non-adjusted figures would have shown a decrease of 17 or 20% reaching 70 mainly due to the fact that rates were frozen after the "pesification" enforced by the Government and to a lower number of subscribers of these services.

Installation fees paid by new customers decreased by 24 or 60% to 16 for the nine-month period of fiscal year 2002 as compared to the same period of fiscal year 2001. Non-adjusted figures would have shown a decrease of 6 or 33% reaching 12 largely due to a lower number of lines connected (approximately 104,000 lines connected in 2002 as compared to 249,000 lines connected during the same period in 2001)

III

partially compensated by a higher average installation price (\$116 to \$67 per line, denominated in current pesos).

Revenues from public telephony decreased by 139 or 48% to 151, during the nine-month period of fiscal year 2002 when compared to the same period of fiscal year 2001. Non-adjusted figures would have shown a decrease of 21 or 16% reaching 110. The decrease was a consequence of the rates frozen after the "pesification" enforced by the Government, the lower traffic generated by public telephony telecommunication centers ("Telecentros") and the lower revenues received from public payphones and telephone cards.

Revenues generated by fixed interconnection services during the nine-month period of fiscal year 2002 decreased by 29 or 21% to 108. Non-adjusted figures would have shown an increase of 18 or 29% reaching 80. Meanwhile, during the same period revenues generated by interconnection services provided to cellular operators decreased by 1 or 3% to 34. Non-adjusted figures would have shown an increase of 9 or 56% reaching 25.

IV

Regarding the international telephony business, during the nine-month period of fiscal year 2002 revenues decreased by 82 or 41% to 119 when compared to the same period of fiscal year 2001. Non-adjusted figures would have shown an

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increase of 1 or 1% reaching 92 mainly due to the revenues generated by Telecom USA partially offset by the frozen rates, lower outgoing traffic of approximately 8% and a negative balance with the international carriers.

The revenues generated by the cellular business during the nine-month period of fiscal year 2002 ended September 30, 2002, decreased by 584 or 42% to 821 when compared to the same period of fiscal year 2001. Non-adjusted figures would have shown an increase of 9 or 1% reaching 644. Non-adjusted revenues of Telecom Personal in Argentina would have decreased by 97 or 16% to 492 when compared to the same period of fiscal year 2001. The decrease was due to a lower number of subscribers (approximately 2% or 42,000 fewer lines), lower levels of traffic and lower sales of handsets. Furthermore, the average revenue per user decreased by 11% (to \$24 per customer per month as of September 30, 2002, denominated in current pesos). The customer base reached as of September 30, 2002, approximately 819,000, 1,272,000 and 61,000 subscribers for the Multiple Area of Buenos Aires (AMBA), Northern and Southern regions, respectively. Total cellular subscribers of Telecom Personal in Argentina reached approximately 2,152,000.

Nucleo, the subsidiary that provides cellular and PCS services in Paraguay, generated 152 in revenues during nine-month period of fiscal year 2002 which are consolidated into the revenues of Telecom Personal. This represented an increase of 50 or 49%, as compared to the same period of fiscal year 2001. Non-adjusted figures would have shown an increase of 106 or 230% reaching 152. The increase can be mainly attributed to exchange differences and the increase in the customer base. As of September 30, 2002, Nucleo had approximately 546,000 cellular and PCS customers, an increase of approximately 68,000 customers, or 14%, as compared to September 30, 2001.

Revenues generated by the data transmission business totaled 262, representing a decrease of 145 or 36%. Non-adjusted figures would have shown an increase of 13 or 7% reaching 197, as a consequence of higher revenues generated by the ground networks and international connectivity. Additionally, monthly charges and Internet dial-up measured services increased as a consequence of the higher number of Internet subscribers that use the special prefix 0610 and local numbers with 4004 numbering or similar. As of September 30, 2002 Internet minutes represented 31% of total traffic measured in minutes transported over the fixed-line network.

Internet revenues decreased by 14 or 20% to 57 during the nine-month period of fiscal year 2002. Non-adjusted figures would have shown an increase of 10 or 31% reaching 42 mainly

V

due to the increase in ADSL fees and Internet traffic. As of September 30, 2002, the number of subscribers to high-speed Internet access services (ADSL) reached approximately 28,000. Furthermore, Internet dial-up customers reached approximately 148,000.

In the directories edition business, revenues from the subsidiary Publicom decreased by 80. Non-adjusted figures would have decreased by 34 or 87% reaching 5 due to the delay in the publication of directories and lower revenues from advertising.

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Nine month periods ended September 30,	2002	2001
National basic telephone service		
Local measured service	435	
DLD measured service	354	
Monthly basic charges	522	
Supplementary services (monthly charges)	98	
Installation fees	16	
Public telephones	151	
Interconnection fixed	108	
Interconnection cellular	34	
Lease of lines and circuits fixed	15	
Lease of lines and circuits cellular	19	
Others	46	
Turnover tax	(59)	
Total National basic telephone service	1,739	
International telephone service		
Outgoing revenues	124	
Settlement revenues (net)	(5)	
Turnover tax	(2)	
Total International telephone service	117	
Data transmission		
Terrestrial network	75	
Lease of data circuits	24	
Monthly charges and Internet traffic	93	
International connectivity	50	
Others	20	
Turnover tax	(8)	
Total Data transmission	254	
Internet		
Internet monthly fee	44	
Internet traffic	13	
Turnover tax	(2)	
Total Internet	55	
Cellular telephony		
o Personal		
Monthly fee and measured service	240	
Pre-paid card	108	
Calling Party Pays	222	
Others	99	
Turnover tax	(30)	
Total Cellular telephony	639	
Nucleo		
Monthly fee and measured service	44	

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Pre-paid card	24
Calling Party Pays	70
Others	14
	152
Total cellular telephony	791
	5
Total net sales in constant pesos	2,961

VII

o Operating costs

The cost of services provided, administrative expenses, and selling expenses for the nine-month period of fiscal year 2002 ended September 30, 2002 decreased by 1,199 or 28% to 3,139 when compared to the same period of fiscal year 2001 mainly as a result of the adjustment by inflation of figures as of September 30, 2001.

Salaries and social security contributions decreased by 395 or 45% to 474 for the nine-month period, ended September 30, 2002. Non-adjusted figures would have shown a decrease of 42 or 11% to 351 primarily due to the reduction in salaries of unionized and non-unionized employees, which was part of the cost reduction plan launched during the previous fiscal year. Additionally, a reduction in headcount at Telecom Personal and Publicom was registered. These decreases were partially offset by the increased headcount in the basic telephony activity reflecting the migration of call centers and 110 information system workers from Publicom to Telecom Argentina. Additionally, certain functions were centralized in Telecom Argentina.

VIII

Expenses related to taxes decreased by 28 or 20% to 114 for the nine-month period of fiscal year 2002. Non-adjusted figures would have increased taxes by 4 or 5% reaching 84 as a result of re-classification of the tax on Bank Debits and Credits.

Materials and supplies charges decreased by 138 million or 49% to 141 million for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown a decrease of 24 or 19% reaching 102 mainly due to lower expenses associated with fewer new lines installed and to lower maintenance of the basic telephony network. Furthermore, a recovery in material from third parties was registered. These effects were partially offset by higher costs for hardware maintenance and higher provisions made for scrap materials.

Bad debt expenses decreased by 138 or 41% to 198 for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown a decrease of 19 or 13% reaching 133. The decrease was evident in the residential segment of the fixed telephony business, as the level of overdue accounts has decreased compared with the same period of fiscal year 2001.

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Interconnection costs decreased by 46 or 29% to 113 for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown an increase of 11 or 15% reaching 83 mostly as a result of higher charges paid for local, national and international long distance accesses and circuits rentals.

Service fees decreased by 71 or 44%, to 90 for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown a decrease of 4 or 5% reaching 69 principally due to lower fees related to commercial, technical and other services as part of the cost control actions taken by the Telecom Group since the beginning of last year. Additionally, fees paid to the data base manager and agents related to the pre-subscription process also decreased.

Management fees decreased by 184 or 89%, to 22 for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown a decrease of 80 or 86% reaching 13 as a result of a temporary decrease in the management fee from 3% of net revenues to 1.25% for the period comprised between October 1(0), 2001 and March 31, 2002. Furthermore, the Company and the Operators have agreed to suspend certain provisions of both parties of the management contract, from April 1, 2002, whereby the payment and the accrued of the management fee has been suspended.

Costs related to advertising decreased by 111 or 82% to 24 for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown a decrease of 44 or 72% reaching 17 mainly due to lower expenses related to media advertising and promotional campaigns resulting from the cost control actions taken by the Company.

Cost of cellular handsets decreased by 74 or 86% to 12 for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown a decrease of 30 or 77% reaching 9 mainly due to the lower number of cellular handsets sold.

IX

Commissions paid to cellular vendors decreased by 62 or 76% to 20 for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown a decrease of 19 or 51% reaching 18 as consequence of the lower number of new subscribers incorporated during the period, deductions related to early disconnections, and to a lower average commission paid per new cellular customer.

Other expenses decreased by 125 or 32% for the nine-month period of fiscal year 2002. Non-adjusted figures would have shown an increase of 35 or 21% reaching 200 manly due to higher expenses related to satellite capacity rentals. Additionally, expenses related to sales commissions for pre-subscription and call centers in the basic telephony business decreased as these tasks are now performed internally by Telecom Argentina.

Fixed asset depreciation increased by 221 or 17%, to 1,488 during the nine-month period of fiscal year 2002. The increase is related to the incorporation of new assets into cellular and data transmission activities during last fiscal year and the effects of capitalized foreign currency exchange differences originated by debt.

X

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Finally, amortization of intangible assets increased by 10 or 9% to 116 for the nine-month period of fiscal year 2002, due to higher amortization charges at Nucleo as a consequence of the currency conversion.

Nine month periods ended September 30,	2002	2001
Wages and social benefits	474	869
Taxes	79	142
Taxes on bank debits and credits	35	-
Materials and supplies	141	279
Transport and freight	31	69
Bad debts expense	198	336
Interconnection costs	113	159
Lease of circuits	33	53
Fees for debt restructuring process	15	-
Fees and counsel services	13	22
Repayment for services	62	139
Management fees	22	206
Advertising	24	135
Cost of cellular handsets	12	86
Agent commissions	20	82
Other	263	388
	1,535	2,965
Subtotal	1,535	2,965
Depreciation of fixed assets	1,488	1,267
Amortization of intangibles assets	116	106
	3,139	4,338
Operating costs	3,139	4,338

o Financial and holding results

The loss resulting from financial and holding results increased by 5,473 to 5,840 for the nine-month period of fiscal year 2002 as compared to the loss of 367 in the same period of fiscal year 2001. This increase can be largely attributed to a loss of 4,487 from currency exchange differences from the Peso devaluation which affected the Company's net foreign currency monetary position which was only partially offset by the higher capitalized foreign currency exchange differences by debt for fixed assets acquisitions of 840. Furthermore, the interest on foreign currency liabilities increased by 194 due to the continuing deterioration of the value of the peso. Lastly, a loss of 1,269 was registered for the inflation effect on monetary assets and liabilities.

o Other expenses, net

Increased by 5 or 5% to 115 for the nine-month period of fiscal year 2002 compared with similar period of fiscal year 2001. The increase was mainly due to higher reserves for lawsuits and contingencies and the write-off of cellular handsets leased without charge.

o Statements of cash flow

Cash flow from operating activities for the nine-month period of fiscal year 2002 decreased by 480 when compared to the similar period of fiscal year 2001.

Cash flow used for investing activities for the nine-month period of fiscal year 2002 decreased by 815 as compared to 2001 as a result of the adjustment by inflation of the

figures as of September 30, 2001 and lower incorporation of fixed and intangibles assets.

Cash flow used for financing activities decreased by 194 for the period as a result of the adjustment by inflation of the figures as of September 30, 2001, lower debt proceeds and payments, net and dividends.

o Investment plan

Since the start of operations on November 8, 1990, Telecom Group has invested 20,907 in fixed assets, of which 219 (150 without the adjustment by inflation) corresponds to the nine-month period of fiscal year 2002 and were mainly generated from commitments undertaken during the previous year.

XII

Of the total amount invested for the period, 165 or 75% corresponds to basic telephony, data transmission and Internet (outside plant 15%, switching 9%, transmission 30%, information systems 37%, infrastructure 3% and others 6%), 53 or 24% to cellular telephony and 1 or 1% to directories edition.

o Recent developments

Debt restructuring process

On September 17, Telecom Argentina held the first informative meeting with the main financial creditors, relating to establishing a framework for the renegotiation of the financial debt of the Company and its subsidiaries.

The Company intends to continue the conversations with its main financial creditors and hold, in the country and abroad, other informative meetings.

As a consequence of the debt restructuring process and the decision of the Company and its subsidiaries in Argentina to suspend principal and interest payment of its financial debts, the Company maintains unpaid amounts related to such concepts. In Note 14 to these consolidated financial statements additional information is included related to this issue.

Resignation of Mr. Juan Carlos Masjoan

On September 20, the Board of Directors accepted the resignation of Mr. Juan Carlos Masjoan, effective as of November 15, 2002, to the position of Chairman and Director of the Company and of its subsidiaries and related companies of the Telecom Group.

According with Section 10 of the Corporate By-Laws and with the resolution taken by the Board of Directors in its meeting of April, 24, 2002, the Vice-president, Mr. Franco Bertone, has taken over the position of Chairman of the Company.

Calling Party Pays for international calls

According to Resolution No. 124/02 issued by the Secretariat of Communications, as from January 1, 2003 overseas calls terminated in cellular telephones will pay for Calling Party Pays charges. The Secretariat has determined that a trial period will take place from October 7 to December 31, 2002.

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In order to identify such calls, customers dialing from outside must add the prefix 9 to the cellular number, after the country code of Argentina (54).

Prior to the effectiveness of this resolution, Telecom Personal clients had to pay for the international calls they received.

NYSE Notification

Telecom has been notified by the New York Stock Exchange ("NYSE") that it has fallen below the NYSE's continued listing criteria relating to the minimum share price. The

XIII

NYSE requires that the average closing price of a security not be less than \$1.00 over a 30-day trading period.

Under NYSE rules, once notified of its failure to meet the minimum share price criteria, a company must bring its share price and average share price back above \$1.00 within six months of receipt of the notification or if deemed necessary have until its next shareholders meeting if approval from its shareholders is necessary to implement a corporate action that will cure the price deficiency.

After informing its intention to comply with the minimum price criteria for securities listed in the NYSE and reaffirming its plans to keep the Company's American Depositary Shares listed on the NYSE, the Board of Directors in its meeting of October 3, 2002 decided to request shareholder approval for an increase in the number of the Company's Class B shares represented by its American Depositary Shares (such change the "Ratio Change") and resolved to include the Ratio Change on the agenda for shareholder approval at the next annual shareholders' meeting scheduled for April 2003.

XIV

2. Summary comparative consolidated balance sheets

	September 30,				
	2002	2001	2000	1999	1998
Current assets	2,300	2,837	4,037	3,440	2,761
Non current assets	11,497	12,142	12,730	12,382	11,067
Total assets	13,797	14,979	16,767	15,822	13,828
Current liabilities	12,556	3,826	4,689	3,592	2,736
Non current liabilities	145	5,846	6,508	6,530	5,464
Total liabilities	12,701	9,672	11,197	10,122	8,200
Minority interest	8	27	29	33	40
Shareholders' equity	1,088	5,280	5,541	5,667	5,588

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Total liabilities, minority interest and Shareholders' equity	13,797	14,979	16,767	15,822	13,828
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3. Summary comparative consolidated statements of income

	For the nine month periods ended September 30,				
	2002	2001	2000	1999	1998
Net sales	2,961	5,116	5,340	5,236	5,116
Operating costs	(3,139)	(4,338)	(4,373)	(4,030)	(3,840)
Operating profit (loss)	(178)	778	967	1,206	1,276
Equity losses from related companies	(28)	(18)	(13)	(11)	(11)
Financial and holding results	(5,840)	(367)	(365)	(281)	(365)
Other expenses, net	(115)	(110)	(84)	(113)	(113)
Unusual losses	-	(24)	-	-	-
Net income (loss) before income tax and minority interest	(6,161)	259	505	801	801
Income tax	2,003	(117)	(208)	(316)	(316)
Minority interest	4	-	2	4	4
Net income (loss)	(4,154)	142	299	489	489
Earnings per share (in pesos)	(4.22)	0.14	0.30	0.50	0.50

4. Fixed telephone service statistical data (in physical units)

September 30,	2002		2001		2000		1999	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Installed lines	3,802,400	6	3,796,460	13,624	3,680,489	97,650	3,577,807	1,000
Lines replaced (a)	1,851,232	-	1,851,232	-	1,817,084	-	1,816,935	2,000
Lines in service (b)	3,610,130	(22,129)	3,892,229	(21,913)	3,744,620	189,682	3,422,596	2,000
Customers lines	3,310,342	(20,921)	3,586,679	(28,937)	3,475,518	175,214	3,201,676	1,000
Public phones installed	79,497	(182)	82,574	(158)	78,738	727	71,407	1,000
Percentage of lines connected to digital exchanges	100.0	-	100.0	-	100.0	-	100.0	100.0

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Lines in service per 100 inhabitants (c)	19.6	(0.1)	21.3	(0.2)	20.7	1.0	19.1
Lines in service per employee	326	(1)	379	1	382	13	369
Investment in Fixed assets in millions of pesos (a)	20,907	28	20,414	179	19,238	679	17,156

- (a) As from 11.8.90.
 (b) Includes Direct Inward Dialing numbers that do not occupy lines installed capacity.
 (c) Corresponding to the northern region of Argentina.

XV

5. Consolidated ratios

	9.30.02	9.30.01	9.30.00	9.30.99	9.30.98
Liquidity (1)	0.18	0.74	0.86	0.96	1.01
Indebtedness (2)	11.59	1.82	2.01	1.78	1.46

- (1) Current assets/Current liabilities.
 (2) Total liabilities/Shareholders' equity plus minority interest.

XVI

6. Outlook

The present fiscal year is developed in a social, political and economical adverse context, characterized by a high level of uncertainty, where the recession was transformed into a serious depression. Additionally, the economic changes imposed by the National Government put the telecommunications industry in general into a critical situation, affected by the "pesification" of the tariffs at the rate of US\$1 = \$1, among other matters.

As a consequence of the current macroeconomic environment in Argentina, the devaluation and volatility of the peso, the above mentioned "pesification" of the tariffs and the timeframe defined by the Argentine Government for the discussions related to the adjustment of the regulated tariffs, on April 2, 2002, the Company announced the suspension of principal payments on all Telecom Group's financial debt obligations. Afterwards, on June 24, 2002 the Board of Directors also announced the suspension of interest payments on all Telecom Group's financial debt obligations. In this context, the Company has initiated conversations with its main financial creditors in order to find a definitive solution to its debt restructuring process.

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In this uncertain and critical context, Telecom works hardly to reduce its cost structure and adequate it to the new environment. The Company shall continue operating within the current cost structure, which produce a substantial reduction of the expenditures. In addition, the sooner resolution of the tariff's structure renegotiation will be essential in order to revert the lower profitability shown in the present fiscal year.

However, the Company maintains and reinforces its mission of being the leading company in foreseeing solutions to high quality telecommunications for all clients. Telecom works in the construction of the solid position as integrator, by the unification of the offer channels, the convergence of the operation of the clients and services and organization synergy.

Telecom is still committed to the country and it is capable of carrying out with success the challenge to continue growing in an environment of great complexity.

Christian Chauvin
Director

XVII

Alicia Moreau de Justo 50 - Buenos Aires

FISCAL YEAR No. 14 beginning January 1, 2002 with comparative information for the nine month period ended September 30, 2001

CONSOLIDATED FINANCIAL STATEMENTS at September 30, 2002 and 2001 (Unaudited)

Principal Company activity: Telecommunication services and the marketing of equipment, infrastructure and goods of any type related or complimentary to telecommunication, and the performance of works and the provision of all types of services, including consultancy and security, related to telecommunications and telecomputing.

Dates of registration with the Public Commerce Registry:

By-laws: July 13, 1990

Last amendment to by-laws: May 29, 2002

Expiration of Company charter: July 13, 2089

Information about Company control is in Note 7 a.

1

CAPITAL COMPOSITION

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at September 30, 2002

Capital stock -----	Registered, authorized, issued and outstanding (Note 9)
Capital stock, \$ 1 nominal value and one vote per share	-----
	502,034,299
Class "A"	436,323,992
Class "B"	46,022,687
Class "C"	-----
	984,380,978
Total	=====

2

CONSOLIDATED BALANCE SHEETS (Unaudited)

	In millions of Argentine constant pesos (see Note 4.1.d)	
At September 30,	2002	2001

ASSETS		
CURRENT ASSETS		
Cash and banks (Note 5.a)	105	60
Investments (Note 5.b)	875	599
Trade accounts receivable (Note 5.c)	639	1,646
Other receivables (Note 5.d)	642	440
Inventories (Note 5.e)	25	77
Other assets (Note 5.f)	14	15
Total current assets	-----	-----
	2,300	2,837
NON-CURRENT ASSETS		
Trade accounts receivable (Note 5.g)	2	4
Other receivables (Note 5.h)	249	113
Investments (Exhibit C)	95	113
Fixed assets (Exhibit A)	10,202	10,848
Intangible assets (Exhibit B)	949	1,064
Total non-current assets	-----	-----
	11,497	12,142
TOTAL ASSETS	-----	-----
	13,797	14,979
=====		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 5.i)	472	1,033
Debt (Note 8)	11,879	2,404
Compensation and social benefits payable (Note 5.j)	62	120
Taxes payable (Note 5.k)	113	201
Other liabilities (Note 5.l)	24	51
Reserves (Exhibit E)	6	17
Total current liabilities	-----	-----
	12,556	3,826

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NON-CURRENT LIABILITIES		
Accounts payable (Note 5.m)	3	24
Debt (Note 8)	-	5,116
Compensation and social benefits payable (Note 5.n)	31	86
Taxes payable (Note 10)	-	445
Other liabilities (Note 5.o)	13	29
Reserves (Exhibit E)	98	146

Total non-current liabilities	145	5,846

TOTAL LIABILITIES	12,701	9,672
Minority interest	8	27
SHAREHOLDERS' EQUITY (according to Statement of changes)	1,088	5,280

TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY	13,797	14,979
=====		

The accompanying notes and Exhibits are an integral part of the consolidated financial statements.

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Valerio Cavallo
Controller

Carlos Felices
Chief Executive Officer

Christian Chauvin
Director

4

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	In millions of Argentine constant pesos, except per share amounts (see Note 4.1.d)	
Nine month periods ended September 30,	2002	2001

Net sales (Notes 5.p and 18)	2,961	5,116
Cost of services provided (Exhibit F)	(2,049)	(2,553)
Gross profit	912	2,563
Administrative expenses (Exhibit H)	(231)	(429)
Sales expenses (Exhibit H)	(859)	(1,356)
Operating profit (loss)	(178)	778
Equity losses from related companies (Note 5.q)	(28)	(18)

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Financial and holding results (Note 5.r and 18)	(5,840)	(367)
Other expenses, net (Note 5.s)	(115)	(110)
Unusual losses (Note 5.t)	-	(24)
Net income (loss) before income tax and minority interest	(6,161)	259
Income tax (Note 10)	2,003	(117)
Minority interest	4	-
Net income (loss)	(4,154)	142
Net income (loss) per share (Note 4.1.i)	(4.22)	0.14

The accompanying notes and Exhibits are an integral part of the consolidated financial statements.

Valerio Cavallo
Controller

Carlos Felices
Chief Executive Officer

Christian Chauvin
Director

5

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine month periods ended September 30, 2002 and 2001 (Unaudited)
(In millions of Argentine constant pesos, except per share amounts -
see Note 4.1.d)

Concept	Shareholders' contributions			Earnings	
	Capital stock	Adjustment to capital stock	Legal reserve Total	Reserve for future dividends	Unappropriated retained earnings
Balance at January 1, 2001	984	3,068	4,052	301	394
Board of Directors' Resolution of January 17, 2001:					
- Cash dividends (0.40 per share)	-	-	-	-	(394)
As approved by the Shareholders' Ordinary Meeting held on April 24, 2001:					
- Legal reserve	-	-	-	(27)	-
- Cash dividends (0.08 per share)	-	-	-	-	-
Net income	-	-	-	-	-
Balance at September 30, 2001	984	3,068	4,052	274	-
Balance at January 1, 2002	984	3,068	4,052	274	-
As approved by the Shareholders' Ordinary Meeting held on April 24, 2002:					

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- Legal reserve	-	-	-	5	-	
Net loss	-	-	-	-	-	(4)

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Balance at September 30, 2002	984	3,068	4,052	279	-	(3)
-------------------------------	-----	-------	-------	-----	---	-----

The accompanying notes and Exhibits are an integral part of the consolidated financial statements.

Valerio Cavallo
Controller

Carlos Felices
Chief Executive Officer

Christian Chauvin
Director

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	In millions constant
Nine month periods ended September 30,	2002
<hr/>	
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Net income	(4,1)
Adjustments to reconcile net income to net cash provided by operating activities	
Bad debts expense and allowances for other receivable	2
Depreciation of fixed assets	1,4
Amortization of intangible assets	1
Equity losses from related companies	
Results from translation	(
Materials usage	
Fixed and intangible assets disposals	
Reserves	
Interest and other financial expenses	5,2
Termination benefits	
Minority interest	
Income tax	(2,0
Net decrease (increase) in assets	1,1
Net decrease in liabilities	(8
Total cash flows provided by operating activities	1,2
<hr/>	
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES	
Fixed asset acquisitions	(3
Intangible asset acquisitions	(
Other investments not considered as cash or cash equivalents	

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Total cash flows used for investing activities	(3)
<hr style="border-top: 1px dashed black;"/>	
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES	
Debt proceeds	
Repayment of debt	(4)
Payment of interest and related expenses	(4)
Dividends paid	
<hr style="border-top: 1px dashed black;"/>	
Total cash flows used for financing activities	(4)
<hr style="border-top: 1px dashed black;"/>	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	4
<hr style="border-top: 1px dashed black;"/>	
CASH AND CASH EQUIVALENTS AT PERIOD END	9
<hr style="border-top: 3px double black;"/>	

The accompanying notes and Exhibits are an integral part of the consolidated financial statements.

Notes 6 and 18 provides additional information regarding the Consolidated statements of cash flows.

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Valerio Cavallo
Controller

Carlos Felices
Chief Executive Officer

Christian Chauvin
Director

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (*)

For the nine month periods ended September 30, 2002 and 2001 (Unaudited)
(Amounts in millions of Argentine constant pesos, except per share amounts or
as otherwise indicated - see Note 4.1.d)

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(*) Conventionally, the definitions used in these consolidated financial statements are included in the Glossary of terms.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GLOSSARY OF TERMS

The following definitions are not intended as technical definitions, but to assist the reader to understand certain terms as used in the Company's financial statements.

The Company/Telecom Argentina/Telecom

Telecom Argentina Stet-France Telecom S.A.

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Telecom Group/Group	Economic group formed by the Company and its c
ENTel	Empresa Nacional de Telecomunicaciones, which telecommunication services in Argentina until
SC	The Argentine Secretary of Communications.
SBT	Basic Telephone Services.
CNV	The National Securities Commission.
Personal/Nucleo/Cable Insignia/Micro Sistemas/Telecom Internet/Publicom/Latin American Nautilus/Multibrand/Nahuelsat/Internacional/Telintar/Soluciones	Correspond to the corporations controlled by T controlled or jointly controlled by Telecom as Argentine Corporation Law or that are related
Telecom Argentina USA/Agroconnection	Corresponds to Telecom Argentina USA Inc. and Inc., a controlled and related companies of Te as defined under the Argentine Corporation Law
CNC	The Argentine National Communications Commissi
The Pliego	List of Conditions approved by Decree No. 62/9 privatization of ENTel.
STM	Mobile Telephone Service.
SRMC	Mobile Cellular Radiocommunication Service.
AMBA	Metropolitan Area Buenos Aires, the area of th and greater Buenos Aires.
PCS	Personal Communications Service. A wireless co with systems that operate in a manner similar
Nortel	Nortel Inversora S.A. The controlling company
Telecom Italia/FCR/Operators	Telecom Italia S.p.A. and France Cables et Rad controlled company by France Telecom S.A.), jo the Operators.
Telefonica	Telefonica de Argentina S.A.
SU	Universal Service: the availability of SBT at to all persons within a country or specified a
IPC	Consumer Price Index.
Price Cap	The application of annual reductions to the ge the Company's rates.
BCRA	The Central Bank of the Argentine Republic.
SEC	Securities and Exchange Commission of the USA.
CPCECABA	Professional Board of Economic Sciences of Ciu Buenos Aires.
Constant pesos	Currency unit of the financial statements, tha Argentine pesos as of period-end, according to
RT/FACPCE/Argentine GAAP	Technical Resolutions issued by the Argentine

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	Professional Boards of Economic Sciences that accounting principles of Argentina.
VPP	Equity method.
IAS/IASC	International Accounting Standards issued by the Accounting Standard Committee.
DGI	The Argentine Tax Authority.
U.S.GAAP	Generally Accepted Accounting Principles in US
BCBA/NYSE	Buenos Aires and New York Stock Exchanges, res
PPP	Share Ownership Program.
EBITDA	Earnings before Interest, Taxes, Depreciation

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NOTE 1 - TELECOM GROUP OPERATIONS

Telecom Argentina was formed as a result of the privatization of ENTel, which had provided public telecommunication services in Argentina.

The Company obtained a license to operate in a designated Northern Zone, beginning operations on November 8, 1990, and provided public telecommunication services on an exclusive basis for seven years subsequent to this date, having the right to a three-year extension of this exclusivity period.

The Company filed the appropriate petition with the SC to extend the license exclusivity period. Acknowledging the Company's filing, the Argentine government established the standards for an orderly transition towards an openly competitive telecommunications market by October 10, 1999, the date at which the exclusivity period ended and the Company remained qualified to provide SBT nationally.

Likewise, the Company merged various companies under its ownership to provide the following services: international long distance in the Northern Zone, national telex, value added services, data transmission and internet. In order to adapt to the new market demands, the Company expanded its corporate purpose. This expansion was opportunely approved by the SC and the CNV.

The Company achieves its business objective of providing services through integration with its subsidiaries. Activities carried out by these entities at September 30, 2002 are as follows:

Activity	Subsidiary	Ownership by Telecom in capital stock and votes	Control is through the following
Cellular telephone service	Personal Nucleo	99.99% 67.50%	Personal

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	Cable Insignia (a)	75.00%	Personal

Data transmission	Micro Sistemas (a)	99.99%	

International telephone service	Telecom Argentina USA	100.00%	

Directories edition	Publicom	99.99%	

(a) Companies not operative at September 30, 2002.

NOTE 2 - REGULATORY FRAMEWORK

a) Regulatory bodies and practices

The Company and its telecommunication subsidiaries are regulated by the CNC, decentralized organism dependent on the SC, which is supervised by the Ministry of Economy. The SC is responsible for developing of sector policies, approving and administrating fundamental technical plans, assisting the Ministry of Economy in rate matters affecting the Company and the development of telecommunication regulations.

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Some of the more pertinent regulations are:

- The Privatization Regulations, which regulate the process of privatization, including the Pliego,
- The Transfer Agreement,
- Telecommunication licenses granted to the Company and to subsidiaries that provide telecommunication services,
- Rate agreements and related decrees and regulations approved in Decree No. 764/2000.

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b) Licenses held at September 30, 2002

o Company licenses

The Company holds licenses to provide the following services in Argentina for an indefinite period:

- o Fixed local telephone service,
 - o Public telephone service,
 - o Long distance, both national and international,
 - o Point to point connections, both national and international,
 - o Telex, both national and international,
 - o Value added services, data transmission, video conferencing, broadcast signal transmission and community repeater.
 - o Internet access.
- o Licenses of subsidiaries

Personal is licensed for an indefinite period, on a competitive market basis, to provide STM in the northern region of Argentina, and data transmission and

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value added services nationally. Additionally, Personal holds a license to provide SRMC in the AMBA, a license without expiration date to provide PCS service in Argentina and the register for the rendering of national and international long distance telephone service.

Nucleo, controlled by Personal, is licensed to provide STM service over Band B nationwide in Paraguay and PCS service in some areas of Paraguay.

c) Causes of revocation of licenses

o SBT license

Some of the causes that could revoke the Company's license are:

- (i) the interruption of all or a substantial part of licensed service;
- (ii) a change in corporate business purpose (without a previous authorization of the appropriate regulatory bodies) or a change of corporate domicile outside of Argentina;
- (iii) any sale, encumbrance or transfer of assets that has the effect of reducing services provided, without the prior approval of the appropriate regulatory bodies.
- (iv) reduction of Nortel (see Note 7) ownership of the Company's capital stock to less than 51%, or the reduction to less than 51% of the collective ownership by Nortel shareholders who existed at the date of possession, without the prior approval of the appropriate regulatory bodies.
- (v) the assignment or delegation of the commitments of the Operators without the prior approval of the appropriate regulatory bodies.

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If the Company's license is revoked, Nortel must transfer its shares in the Company to the regulatory bodies, in trust, for subsequent sale at public auction. Upon the sale of these shares, the regulatory bodies may renew the Company's license under conditions to be determined.

o STM license

According to the STM Pliego, the following causes could revoke Personal's license:

- (i) repeated interruptions of the services described in the STM Pliego;
- (ii) a transference of the license and/or the rights and obligations related to that license, without previous authorization of the CNC;
- (iii) taxes constituted over the license;
- (iv) creditors meeting or bankruptcy of Personal;
- (v) the liquidation or dissolution of Personal, without previous authorization of the CNC.

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d) Decree to deregulate telecommunication services

Decree No. 764/2000 approved, among other items, three new regulations whose basic provisions are as follows:

o General licensing regulation

Establishes a single license valid throughout Argentina for the provision of all telecommunication service, fixed or mobile, wired or wireless, national or international, with or without proprietary infrastructure. Service providers need not be exclusively devoted to the telecommunications business. There are no requirements for minimum investment or coverage. Radio broadcasting entities may apply for telecommunication licenses. The resale of services is authorized, subject to a license being received. Foreign companies are not restricted from entry.

o National interconnection regulation

Establishes a decrease in interconnection index prices of approximately 50%. Increases the number of network components and functions on behalf of the dominant provider (the Company in the northern zone and Telefonica in the southern zone), and also details the interconnection obligation down to the local level, the rate setting process and the separation of the local loop. Introduces the interconnection method for numeric translation services known as NTS for the internet, audiotext and collect calls and the transfer of telephone numbers.

o SU Regulation

Fixes the rate of contribution to the SU Fund at 1% of telecommunication services income. Establishes an Administrative Counsel to manage the SU Fund and oversee the specific programs of the SU. Adopts a "play or pay" mechanism to ensure compliance with SU Fund contributions, but establishes a contribution exemption mechanism for SBT licensees, which considers both net losses and the percentage market participation of other local telephone service providers. The Regulatory Authority has neither implemented the formation of the Fund nor the official programs to be subsidized.

The SC repeated during this period the procedure of consulting over the Administration of the SU Fund and over the regulation of the contribution to the Fund. The Company replied once more that, beyond the specific intention of the procedure of consulting, it is highly necessary to compensate the social benefits programs that are currently being rendered, retroactively from the end of the exclusivity period.

The Company has filed an administrative appeal to request that certain provisions of regulations issued under Decree No. 764/2000 is revoked.

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e) Regulation for the selection by dialing of the providers of long distance services

On December 28, 2001, the former Ministry of Infrastructure and Housing issued Resolution No. 613/01 which approved the rules for the selection by dialing of

the providers of long distance services.

The selection by dialing is a system that, applied to long distance services, allows users to dial in each call the access code 17 (for national long distance calls) or 18 (for international long distance calls) and the three digits PQR for the provider's identification, in order to select the long distance provider which he prefers.

The approved regulation set forth the obligation for the local and long distance providers to have available their equipment in order to provide the selection by dialing within an eighty-day period from its publication in the official gazette, in those places where that method of pre-subscription is offered. Such eighty-day period was extended for additional ninety days by Resolution No. 33/2002 of the Ministry of Economy, in order to analyze the numerous refutations received. Although this period matured in June 2002, the regulation is still under analysis.

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f) Rate structure

On November 28, 1991, the Company and Telefonica signed a rate agreement with the Argentine government, which was ratified by Decree No. 2585/91 and became effective on December 18, 1991. The principal features of the agreement, which modified the Transfer Agreement, are as follows:

- 1) Rates, measured in basic units or "pulsos", are denominated in United States dollars and will be adjusted twice annually (April and October) to reflect changes in the overall IPC of the United States of America. Rate adjustments do not require prior regulatory body approval. Since year 2000, adjustments were not made as required by the SC.
- 2) Invoicing to customers will be in local currency, at exchange rates existing at the close of the billing period.

Law No. 25561, of "Public Emergency law and reform of the exchange rate", effective January 6, 2002, in Section 8 nullifies contract clauses providing for adjustments to the value of payments with reference to United States Dollars or other foreign currencies as well as any indexation clauses based on price indexes or similar mechanism. As a consequence, from that date on, the Company's tariffs were set in pesos at a US\$1 to \$1 exchange rate. Likewise, Decree No. 293/2002 started a process of renegotiation of contracts with the public Administration in which the rate structure is involved. Additional information on the process of renegotiation of tariffs and the SBT contract is given in Note 13.

o Rate rebalancing

On December 1, 1999, SC Resolution No. 4269/99 ratified the application of methodology outlined by SC Resolution No. 1801/97. This verified the revenue differences of SBT licensees at the end of a two year period, which resulted from rate rebalancing in February 1997. Additionally, the impact of the rate rebalancing was determined to be an increase in revenues of approximately \$9.5 millions. The future refunding of this amount has not so far been ruled upon by the Regulatory Bodies.

o Price Cap

On December 15, 1999, the "Rate Reduction Agreement between the Argentine

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government and Telecommunications Companies" was signed, establishing as of March 1, 2000, the following:

- o the reduction of rates to commercial and government clients by 19.5% and,
- o the reduction of rates for measured local service in urban areas and for "0610" service by approximately 5.5%, for customers requesting various discount plans.

On April 6, 2000, the Argentine government, Telefonica and

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the Company signed an agreement which established, for the application of the year 2000 Price Cap, a 6.75% reduction of revenues of licensees covered by the rate regulation (6% as set by the SC and 0.75% as determined by licensees) in the period between November 8, 2000 and November 7, 2001.

NOTE 3 - POLITICAL, ECONOMICAL AND SOCIAL CRISIS IN ARGENTINA. DEVALUATION OF THE PESO AND THE CONVERSION INTO PESOS OF THE TARIFFS OF PUBLIC SERVICES: ITS IMPACT ON THE ECONOMIC AND FINANCIAL SITUATION OF TELECOM GROUP

The operations of the fiscal year ended December 31, 2001 were occurred in a delicate political, economic and social context: the high level of fiscal deficit, the increase of the country's public debt and the significant increase of the country's risk rate and domestic interest rate. Additionally, the unemployment rate and the fall of the gross domestic product reached its maximum levels since the beginning of the Convertibility Regime (estimated between 20% and - 4.7%, respectively).

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In July 2001 the National Government, due to the impossibility of financing its deficit with debt in the international markets, enforced a severe adjustment in the public accounts with the implementation of a policy known as "deficit cero". By that policy, the level of public expenses and the transfers of resources to the provinces could not exceed the fiscal monthly proceeds. The implementation of this policy suffered from serious political, economic and social difficulties, which ended in the Congressional electoral defeat of the official political party in October 2001.

The economic recession and the impossibility of implementing policies to overcome it, produced a lack of confidence in the economic agents and in particular in the depositors who started to gradually withdraw their deposits from the Argentine financial system. The situation deteriorated, reaching its highest level by the end of November. In order to avoid the failure of the financial system the National Government on December 3, 2001 issued measures, which increase the use of banking operations in the economy, restricted the free disposition and circulation of cash ("corralito") and the transfer of funds abroad. All working days from December 21, 2001 to January 11, 2002 were declared non-working days for exchange transactions.

After a serious institutional crisis and social pressures, on December 21, 2001 the former president Dr. Fernando de la Rúa presented his resignation to the National Congress, which after complying with the formalities foreseen by the National Constitution, appointed Dr. Rodriguez Saa as new president. The new president -who had to call for a national election within ninety days -

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ratified the enforcement of the Convertibility Law of the peso with the dollar at a rate of \$1 = US\$1 and decided to restructure the national and provincial public debt ("default of the public sector") by suspending the payment of principal and interest of the internal and external debt.

By the end of December 2001, the seriousness of the crisis produced a new change in the government and, on January 1, 2002, the National Congress appointed to Dr. Eduardo Duhalde as the president in order to complete the period which was left incomplete by Dr. Fernando de la Rúa.

With the purpose of overcoming the crisis, the new administration of Dr. Duhalde decided to abandon the Convertibility Law and to cause a significant change in the economic rules in our country.

o Principal measures adopted by the National Government

On January 6, 2002, the National Congress issued Law No. 25561 of "Public Emergency and Foreign Exchange System Reform Act" which produced a profound change in the economic model and a modification of the Convertibility Law applicable until that moment. Later on, Decrees Nos. 214/02, 905/02 and 992/02 of "Rearrangement of the

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financial system" and Decree No. 260/02 of "Foreign Exchange System Reform Act" were issued, which substantially modified some of the measures adopted by Law No. 25561.

The following are some of the measures adopted by the National Government, which are applicable at the date of issuance of these consolidated financial statements:

1. Transactions due in foreign currency

On January 6, 2002 a new exchange regime was enforced by the creation of an official and a free exchange market. The existence of both exchange markets was provisory, as the government subsequently decided for the free and single exchange market. In general terms, in the official market all assets for export and import transactions and certain financial activities should be carried out, subject to a previous restructuring that postpones their original maturity dates. The rest of the transactions related to the payment and transfer of foreign currency abroad should be carried out in the free market. The initial exchange rate in the official market was \$1.40 to US\$1.

The deposits in US dollars and other foreign currencies in financial entities were converted into pesos at an exchange rate of \$1.40 to US\$1 or its equivalent in other foreign currencies. The debts in US dollars or other foreign currency within the Argentine financial system in existence at January 6, 2002 were converted into pesos at an exchange rate of \$1 to US\$1 or its equivalent in other foreign currency. These deposits and debts will be adjusted as from February 3, 2002 by a Stabilization Reference Coefficient ("CER") and interest rate with a cap stated by the BCRA.

The payable obligations denominated in US dollars or other foreign currency that existed up to January 6, 2002 in Argentina, non related to the financial system, of any origin or nature, were converted into pesos

at an exchange rate of \$1 to US\$1 or its equivalent in other foreign currency. These balances will be adjusted as from February 3, 2002 by the CER. If as a consequence of this provision, the resulting value of the assets or the services is superior or inferior at the payment time, any of the parties may request an equitable readjustment of the price. If an agreement is not reached, the courts shall issue a decision over the case. In order to keep a fair adjustment of the price, it must be considered the market value of goods or services with imported components.

The payable obligations denominated in US dollars or other foreign currency that existed up to January 6, 2002 in foreign countries must be paid at the free market exchange rate.

Since February 3, 2002, many payable obligations denominated in US dollars or other foreign currency were

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converted into pesos at an exchange rate of \$1 to US\$1, including futures contracts and options in foreign currency, agreed under the Argentine law applicable before January 5, 2002, in which one of the parties was a financial entity.

2. Contracts with the public administration

US dollars or foreign currency adjustments clauses and indexation clauses based on foreign price indexes, as well as any other indexing mechanism adopted under public contracts executed by the National Government, including works and public services, have been suspended. The applicable prices and tariffs to that date have been converted into pesos at the exchange rate of \$1 to US\$1. Additional information is given in Note 13.

3. Deferred deduction of the exchange rate difference in income tax

Net losses originated in the devaluation of the peso over the assets and liabilities in foreign currency in existence up to January 6, 2002, will be deductible for income tax purpose only at a rate of 20% per year starting in fiscal year 2002.

4. Restriction of transfers of funds abroad

According to Communication "A" 3688 of the BCRA the transfers to foreign countries for financial loans, earnings and dividends executed until February 8, 2003, inclusive, shall require a previous consent of the BCRA regardless of the manner of payment.

Subsequently, Communication "A" 3709 of the BCRA excluded payment of principal and interest services of financial obligations abroad from the previous consent requirement, provided that:

- o financial debt has been restructured and judicially approved according to the provisions of the Law of Bankruptcy and Reorganization Proceedings;
- o the agreement attained with creditors pursuant to the majorities provided by said law implies refinancing of matured and outstanding debt at average terms pursuant to the agreement that shall not be shorter than four years, providing a grace period not shorter than two years for the payment of principal services;
- o interest services are paid quarterly or at longer terms and the

- annual interest rate agreed for the refinanced debt is not superior - effectively on an annual basis - to the equivalent of six month LIBO plus 3%;
- o the above mentioned agreement provides for releases, discharges, capitalization or other similar measures that consider a reduction of the outstanding principal at the agreement execution date of, at least, 40% of its nominal value or 60% of said value in the case of capitalization;

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- o the Foreign and Exchange Office has issued an acknowledgement of receipt of the information on the refinanced obligations.

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-
- o Principal effects of the measures adopted by the National Government over the business of the Telecom Group
-

1. Renegotiation of the Company's tariffs

Section 8 of Law No. 25561, which converted into pesos at an exchange relation of \$1 to US\$1 the tariffs of public services, shall have a significant impact over the economic-financial equation of the Company and the Telecom Group.

The magnitude of the devaluation of the Argentine peso with respect to the US dollar, that at the date of issuance of these consolidated financial statements is approximately 270%, affects the "natural hedge" mentioned in Note 4.1.e. This is so because the currency of the most significant revenues of the Company will be the peso, while the currency in which the Company was financed from the enactment of the Convertibility Law was the US dollar.

This alteration between the revenue currency and the sources of financing currency has produced a double impact, that is:

- a) an initial impact, represented by the net debts in foreign currency at December 31, 2001 in foreign countries. At September 30, 2002 these debts represented US\$2,919 millions approximately, for the Telecom Group; and
- b) an impact over the transactions during the renegotiation period of the tariffs, in which the economic equation of the business of the Company is being affected by the increase of the costs of certain imports of materials necessary for operations.

The management of the Company, based on the framework stated in section 9 of Law No. 25561 for the renegotiation of the SBT tariffs, has considered in its cash flows projections, the modification of its tariffs in order to recompose the economic-financial equation of Telecom Argentina. This should decrease the impact above mentioned and allow the Company to continue with its ordinary course of business, in a competitive and non-regulated market, with reasonable profitability levels to remunerate its shareholders and the financial creditors.

2. Devaluation of the peso

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The devaluation of the Argentine peso had serious consequences on the economic and financial situation of Telecom Group, as follows:

- |X| a reduction of 80% of the Shareholders' equity of Telecom existing at the beginning of the fiscal year during the nine month period ended September 30, 2002, considering the exchange relation at September 30, 2002 of US\$1 = \$3.74 and the basis for accounting described in point 4 below;
- |X| a financial impact that derived in the declaration of the Board of Directors of the suspension of principal and interest payments of the financial debt (Note 14). The

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market value of the Company's corporate bonds is approximately 30% over their book value at September 30, 2002, while this ratio was approximately 88% at September 30, 2001;

- |X| a decrease in Telecom's market capitalization of approximately 91% (US\$161 and US\$1,711 at September 30, 2002 and 2001, respectively) when compared with the ADR evolution at September 30, 2002 and at September 30, 2001 (US\$0.82 and US\$8.69, respectively).

From the beginning of the operations - November 8, 1990 - until December 31, 2001, the Company had accumulated net income of \$5,576 millions. The net loss for devaluation recorded at September 30, 2002 reached the amount of \$3,508 millions, absorbing 63% of the accumulated net income in the period 1990 - 2001.

The Shareholders' equity of Telecom at September 30, 2002, is \$1,088 millions and includes assets, net of depreciation, of \$1,669 millions generated by capitalized foreign currency exchange differences and higher capitalized interests (\$799 millions) and by deferred tax credits (\$870 millions), whose recoverability has been evaluated as described in point 4 below.

A summary of the effects of the peso devaluation in the consolidated statement of income of the Telecom Group is given as follows:

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	Estimated results without devaluation effects (1) (*)	Estimated effect of devaluation (2) (**)	Statement of income at 9.30.02 (3) = (1) + (2)	Statem of inc at 9.30. (4)
Net sales	2,949	12	2,961	5
Operating costs	(1,486)	(49)	(1,535)	(2)
EBITDA	1,463	(37)	1,426	2
Amortization without capitalization	(1,503)	-	(1,503)	(1)
Amortization of capitalized foreign currency	-	(101)	(101)	

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exchange differences

Operating profit (loss)	(40)	(138)	(178)
Equity losses from related companies	(28)	-	(28)
Financial and holding results generated by assets	(1,270)	(267)	(1,537)
Financial and holding results generated by liabilities	665	(5,892)	(5,227)
Interests/Capitalized foreign currency exchange differences	24	900	924
Other expenses, net	(115)	-	(115)
Unusual losses	-	-	-
Net income (loss) before income tax and minority interest	(764)	(5,397)	(6,161)
Income tax by results without capitalization	114	-	114
Income tax by devaluation	-	1,889	1,889
Minority interest	4	-	4
Net income (loss)	(646)	(3,508)	(4,154)

(*) Corresponds to the operations realized by the Company in local and foreign currency (converted into pesos at the exchange rate of \$1 = U\$S1), restated in constant pesos of September 30, 2002.

(**) Corresponds to the higher estimated sales and costs in foreign currency, to the investments in foreign companies and to the foreign currency exchange differences and other financial results generated by foreign currency assets and liabilities, net of the effect of inflation and the tax effect, as a consequence of the devaluation of the Argentine peso.

3. Impact of the crisis on the economic and financial situation of the Group

During the first half of the year, the Argentine economy gradually recovered certain very basic macroeconomic balances. The exchange rate started to slowly stabilize and, consequently, the rate of inflation decreased (retail inflation was 18.9% in 2Q'02 and 7.1 in 3Q'02; wholesale inflation was 48.1% in 2Q'02 and 13.1% in 3Q'02).

Stability in the exchange and inflation rate reported in these months is mainly due to a series of measures on the financial sector that evidence a still very irregular behavior. In fact, there are controls for operations with foreign currency abroad, a great part of bank deposits are still tied up, most of the public debt services payments are in default and, at last, the BCRA has an active involvement in the foreign currency market. Thus, economic authorities have achieved a valuable short term macroeconomic stability controlling both the potential offer and demand of foreign currency. The local financial system will necessarily recover its ordinary functioning for which these restrictions should gradually be done away with. This constitutes the main uncertainty factor in the short and medium term.

In relation to the levels of activity, between the second and third quarters the long recession reached a floor after which some production sectors started reporting a certain recovery. This dynamism is presently limited to determined sectors, especially producers of goods for exports (industrial and agricultural) as well as import substitutes.

On the other hand, the services, commerce and construction sectors are still seriously depressed given the weakness of

the domestic demand and the fall in consumers' actual income. Likewise, these sectors are the ones that have and intense labor demand.

The balance of payments evolution clearly reflects the dramatic ongoing macroeconomic adjustment process. The net capital inflow during the first semester of 2001 (US\$1,400 million) was replaced by a net outflow of US\$8,600 million, mostly private funds to purchase foreign assets or cancel foreign private debt. This capital outflow was financed through the loss of international reserves and especially through a current account surplus pushed by an imports contraction.

The importance of the reversion of these capital flows is the main explanation of the economy's recession in the last year (-14.9% pursuant to first semester data). The Peso's actual depreciation is the mechanism that enables this process, which will only be reverted by the stabilization of capital inflows and outflows. In order that capital flows recover their balance it is necessary a deep institutional reconstruction that includes the restructuring of the financial system and public debt.

This process will most surely be long and arduous and highly conditioned by political factors. In the meantime, the actual exchange rate will remain devaluated when compared to Convertibility values. This, in turn, brings about negative consequences for the people's standard of living since the prices of basic consumption goods grow.

The described crisis has negatively impacted in the Group's business during fiscal year 2002, notwithstanding the efforts made by the management to reduce the operative costs, the investments and the level of financial indebtedness. The principal consequences for the Group were:

- |X| reduction of 42.1% of the consolidated sales compared with fiscal year 2001, generated by a lower number of clients in fixed and cellular telephone service, the prohibition of adjustment of the fixed telephone service rates, the fall of the average consumption of the post and pre payment cellular clients and the marketing decision to postpone the directories edition by the significant reduction of the advertisement as a consequence of the already mentioned economic situation.
- |X| the 41.1% decrease in the charges for doubtful accounts receivable compared with fiscal year 2001, principally in the fixed telephone service. However, the allowance for doubtful accounts over net sales represented approximately 6.6% for the nine month periods ended September 30, 2002 and 2001. In addition, in October 2001 the Company started to receive from its clients provincial bonds and LECOP. The collection in public bonds represented approximately 19% of the total collection of the Company for the period January'02 - September'02.
- |X| the costs of the Group were affected by the creation of new taxes (levied on bank debits and credits) by \$35 millions and the increase of the employer's social security contributions by \$10 millions.
- |X| as a summary of all the foregoing, the operating profit was reduced by \$956 millions compared with the nine month period ended September 30, 2001, becoming a loss of \$178 millions.

4. Effects on the significant accounting estimations at September 30, 2002

The above mentioned facts have been taken into account by the management of the Company in order to perform the significant accounting estimations included in the present consolidated financial statements. The future actual results may differ from those estimations.

The management of the Company has considered the following accounting criteria for the valuation of the assets and liabilities at September 30, 2002 and the quantification of certain significant estimations:

- [] Criteria for the recognition of the devaluation effects of the peso:
Argentine GAAP states that the financial

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results must be recognized in the period in which they are generated, except for the case in which they integrate the costs of the assets that, by virtue of their nature, require an extensive period of undisposable capital. Notwithstanding the foregoing, the magnitude of the devaluation and the general impact in all sectors of the economy caused the issuance of CPCECABA Resolution No. 3/02, adopted by CNV Resolution No. 398/02, that requires the capitalization of foreign currency exchange differences in some circumstances. The Company has applied the methodology stated in this resolution to calculate the capitalization (Note 4.2.a).

- [] Accounting for inflation of the financial statements: Decree No. 1269/02 of the National Government reestablished the mechanism of accounting for inflation. The Company has applied the methodology stated in RT 6 and in CPCECABA Resolution No. 3/02 to calculate the restatement for inflation in the consolidated financial statements.
- [] Valuation of the provincial public bonds: as part of the credit collection from the public sector, the Company has received bonds to cancel the credits for services rendered to the different provincial government. The Company's intention has been to maintain them until their maturity date for which, following the Argentine GAAP and having financial capacity to retain them, the Company has valued them at their cost plus amortized discount earned using the market rate of return. Notwithstanding the foregoing, because of the economic crisis affecting the national and provincial public sector, the fall of the price of such bonds has been very significant and it is not expected to suffer any changes in the short term. Consequently, despite the intention to maintain the provincial bonds until their maturity date, the management of the Company decided to value since December 31, 2001, the holding of these bonds at their estimated sale price.

Likewise, those public bonds received as part of the collection of the particular clients, have been valued as follows:

- a) at its nominal value -without accruing any interests-: for the holding of bonds that the Company applies for their value and in the short term in order to cancel its tax and commercial liabilities. At September 30, 2002 the Group holds \$6 millions of bonds with these characteristics, which were included in Cash and Banks.
- b) at its estimated sale price: for the holding of bonds that cannot be applied in the short term in order to cancel tax and commercial liabilities. At September 30, 2002 the Group holds \$25 millions of

bonds with these characteristics, which were included in Cash and Banks. The results from holding these kind of bonds were a loss of \$70 millions, that are included in Financial

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and holding results in the Consolidated statement of income.

- [] Recoverability of trade accounts receivable with the public sector: the Company has considered that the default of the public sector will only produce a delay in the collection. In order to reduce the effect of this delay, the Company has optimized the compensation actions of the obligations -specially in tax matters- with the public sector. The financial loss that this delay produces has been considered in the Company's estimations.
- [] Recoverability of trade accounts receivable with the private sector: the serious economic situation existent in our country during the last year, added to the restrictive banking measures over the access and circulation of cash, set forth by the National Government at the beginning of this fiscal year, have produced a significant increase in the payment delay. Consequently, the Company has increased the charges for doubtful accounts receivable, originating deviations with respect to the average payment delays and uncollectable amounts of the last years. However, this trend has been reduced in 2Q'02 and 3Q'02 as a consequence of the depuration of the customer's base realized in the first quarter of fiscal year 2002.
- [] Obligations originated in private contracts, non related to the Argentine financial system: although Decree No. 214 stated the conversion into pesos at an exchange rate of \$1 to US\$1, the involved parties are entitled to request for a readjustment of the price based on equity principles and in case an agreement is not reached, the courts shall issue a decision over the case. The adequate valuation of this type of credits and debts in our country shall depend on the renegotiation of each of these contracts. The management of the Company fit its estimations according to the advances of the negotiation process and the possible results.
- [] Recoverability of fixed and intangible assets value: at September 30, 2002 the Telecom Group owns fixed and intangible assets (together "fixed assets") for a total of \$11,151 millions, equivalent to 81% of the total consolidated assets. As indicated in Note 4.2.f and 4.2.g, these assets are depreciated based on their useful life, estimated for each class of fixed assets and the reasonability of the applicable rates must be considered in the context of the de-regulation and the increase of the competition which has characterized the Argentine telecommunication market from October 1999.

The recoverable value of the fixed assets depends on the capacity to generate the net cash flows income sufficient to absorb their depreciation during the periods it is estimated these assets will be useful for the Group.

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The management of the Company periodically evaluates the recoverable value of such fixed assets by the preparation of economic-financial projections

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considering alternative scenarios based on macroeconomic, financial and telecommunications market hypothesis, which are considered probable or conservative.

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Notwithstanding the foregoing, the devaluation of the Argentine peso and the "pesificación" of the public services tariffs and the contracts between private parties executed before January 6, 2002, set forth a significant change in the rules for all of the economic factors of the country. At the date of issuance of these consolidated financial statements the economic and political situation has not stabilized, which generates different and probable scenarios. In particular, the results of the renegotiations of the Company's tariffs under the terms foreseen by Law No. 25561 and Decree No. 293/02 shall have a significant impact on the economic-financial equation of Telecom.

Despite the already mentioned difficulties and considering section 9 of mentioned law which states that the National Government shall consider the profitability of the public services companies in order to assess the recoverable value of the fixed assets, the management of the Company have adopted for their projection of incoming cash flows the modification of its tariffs which allows it to recompose the economic-financial equation of the Company in a non-regulated and competitive market, with reasonable levels of profitability to pay its shareholders and financial creditors. Additionally, the economic - financial projections include the satisfactory results of the Group's financial debt restructuring described in Note 14.

Based upon the described methodology regarding the recoverable value of the assets and the satisfactory processes of renegotiations of the Company's tariffs and the financial debt of the Group, the management of Telecom considers that fixed asset and intangible assets, taken as a whole, are not valued in excess of recoverable value.

- [] Recoverability of tax credits generated by the devaluation of the peso: in accordance with Argentine GAAP related to income taxes accounted for by the deferral method, the tax credit carryforwards against future incomes must be recognized and requires a careful analysis of their recoverability. The amount of the fiscal credit generated by the devaluation at September 30, 2002 is approximately \$2,962 millions and its recoverability shall depend essentially on the results of the processes of renegotiation of the Company's tariffs and restructuring of the financial debt of the Telecom Group (Notes 13 and 14, respectively). Likewise, the management of the Company has considered the capitalized foreign currency exchange differences and the effect of the accounting for inflation of the fixed assets as a temporary difference and has recorded a deferred tax liability of \$2,092 millions, so the net tax credit recorded at September 30, 2002 is approximately \$870 millions.

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As a consequence of the existence of taxable losses detailed above, Telecom Group recorded a tax credit on minimum presumed income of \$73 millions, which recoverability will be effective as also detailed above.

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[] Classification of debt: as some creditors have exercised their rights on accelerate the maturity of their debts as expressed in Note 14, the management of the Company has decided to disclose all its debt as current liabilities.

NOTE 4 - BASES OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Bases of presentation

The Company's consolidated financial statements have been prepared in accordance with Argentine GAAP, established by the FACPCE, considering practices of the CNV. The consolidated financial statements include certain reclassifications and disclosures to conform more closely to the form and content required by the SEC.

Where investments in subsidiaries are accounted for by the equity method, Argentine GAAP requires companies with a controlling financial interest in other companies to present both parent company and consolidated financial statements as primary and supplementary information, respectively. Because of the special purpose of these consolidated financial statements, the parent company's summarized financial information is included in Note 19. This approach has been adopted for the convenience of the reader of the financial statements.

In accordance with procedures defined in FACPCE RT 4, financial statements at September 30, 2002 and 2001 have been consolidated on a line by line basis for majority-owned subsidiaries, as follows:

September 30,	
2002	2001
Publicom	Publicom
Personal	Personal
Micro Sistemas	Micro Sistemas
Telecom Argentina USA	Telecom Argentina USA
	Telecom Internet (*)

(*) Merged into the Company on November 30, 2001.

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Additionally, certain reclassifications to the comparative figures were included in order to reach a better comparison between those figures and the ones for September 30, 2002.

These consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) necessary to present the financial position and results of operations on a basis consistent with the audited fiscal year financial statements.

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Financial statements at September 30, 2002 and 2001 and for the nine month periods ended September 30, 2002 and 2001 have been used for the consolidation. Consequently, these periods coincide with those of the Company.

b) Foreign currency translation

The Group follows FACPCE RT 13 to translate the foreign corporations financial statements (Nucleo, Telecom Argentina USA, Latin American Nautilus and Intelsat Ltd.) into Argentine pesos for purposes of consolidation.

According to this RT investments in foreign companies are translated into pesos at the period-end exchange rate.

Net gains or losses resulting from the translation of those financial statements are included in the Company's consolidated results of operations in the period in which they arise.

c) Modification of Argentine GAAP

On December 8, 2000 the CPCECABA approved RT 16, 17, 18 and 19 of the FACPCE which establish new accounting and disclosure principles. These new RT fit in the project of harmonization of Argentine GAAP with IAS issued by the IASC.

These accounting principles have been approved by the CPCECABA with some amendments including the postponement of its effective date. At the date of issuance of these consolidated financial statements, the approval of the CNV is pending with respect to these standards.

On April 5, 2002 the FACPCE approved RT 20, which modified RT 9, 17 and 18, which establishes accounting and disclosure principles for derivatives instruments and hedging activities. At the date of issuance of these consolidated financial statements, RT 20 had not been adopted by any professional council.

If these new standards were adopted by the CNV, they would take effect as from the Telecom Group's fiscal year beginning January 1, 2003.

The management of the Company is assessing the impact of these new standards on its financial condition and the results of operations. However, based on a preliminary analysis, it is anticipated that the impact will not be material.

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d) Accounting for inflation

The consolidated financial statements have been prepared in millions of Argentine pesos of constant currency, recognizing the inflation effects. In order to prepare the accounting for inflation, the mechanism established by RT 6 was used.

From September 1995, in accordance with the Argentine GAAP and CNV Resolution No. 272/95 with provisions of National Government Decree No. 316/95, inflation adjustments of financial statements had been discontinued.

However, the end of the stability context, which characterized the period in which the Convertibility Law was applicable and had justified the discontinuation of the accounting for inflation, forced the CPCECABA to issue Resolution No. 3/02 which reestablished the mechanism of restatement of the

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financial statement according to RT 6, amended by RT 19, using the Wholesale Internal Prices Index, from January 1, 2002.

In July 2002, National Government Decree No. 1269/02 repealed Decree No. 316/95, reestablishing the accounting for inflation of the financial statements. The CNV, through Resolution No. 415/02, adopted this procedure. Consequently, present financial statements are restated in constant pesos since January 1, 2002, fulfilling the accounting and legal standards.

Changes in price indices for the nine month periods ended September 30, 2002 and 2001 have been as follows:

Periods	Wholesale Internal Prices Index	Consumer Prices Index
January'01 - September'01	(2.33%)	(0.68%)
January'02 - September'02	121.20%	39.66%

Implicit financing costs have been segregated in the disclosure of assets and liabilities, where significant.

e) Financial instruments to hedge financial risk or reduce financing costs

During the period in which the Convertibility Law that fixed the exchange rate between Argentine peso and the dollar at \$ 1 = US\$ 1 was in force, as part of its risk management strategy, Telecom Group had decided to convert a significant portion of its debt obligations denominated in foreign currencies other than the U.S. dollar to the U.S. dollar in order to reach a "natural hedge" with its income fixed in dollars as described in Note 2.f. Occasionally, the Group had also swapped the interest on debt in order to balance its financial payments between fixed and floating interest on debt.

However, due to the change in current macroeconomic conditions described in Note 3, Telecom Group terminated all of its foreign currency and interest rate swap agreements during the second quarter of the year 2002 (see Note 8).

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The Company and its subsidiaries do not invest in speculative derivative financial instruments.

f) Concentration of credit risk

The Company and some of its subsidiaries provide telecommunication services to residential, commercial and governmental clients, granting credit in accordance with regulations governing such services, generally without security. The fixed customer lines (pre-paid lines were not included) were 3,310,342 and 3,586,679 at September 30, 2002 and 2001, respectively, and the cellular customer lines (pre-paid lines were not included) were 509,910 and 783,981 at these dates, respectively, and represents a diverse customer base.

The risk of collectibility varies among customers largely