

TELECOM ARGENTINA SA
Form F-1/A
June 21, 2004
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As filed with the Securities and Exchange Commission on June 18, 2004

Registration No. 333-111790

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 to FORM F-1 REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

TELECOM ARGENTINA S.A.

(Exact name of registrant as specified in its Charter)

Republic of Argentina
(State or other jurisdiction of
Incorporation)

4813
(Primary Standard Industrial
Classification Code Number)

Inapplicable
(I.R.S. Employer
Identification Number)

Alicia Moreau de Justo 50

Piso 10

C1107AAB Buenos Aires

Argentina

011-54-11-4968-4000

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(Address, including zip code, and telephone number, including area code of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

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If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. " _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price(2)(3)	Amount of Registration Fee(4)
Series A Notes due 2014 and Series B Notes due 2011	\$ 1,732,773,307.96		\$ 178,161.44

- (1) Includes the maximum number of notes of Telecom Argentina S.A. expected to be issued in the United States pursuant to the transaction, and notes of Telecom Argentina S.A. that may be resold in the United States subsequent to the transaction under circumstances requiring delivery of a prospectus. Notes of Telecom Argentina S.A. to be issued outside the United States are being issued in reliance on Regulation S of the United States Securities Act of 1933, or the Securities Act.
- (2) Exclusive of accrued interest and distributions, if any.
- (3) In United States dollars or the equivalent thereof in any other currency, currency unit or units, or composite currency or currencies.
- (4) Calculated pursuant to Rule 457(o) of the rules and regulations under the Securities Act. Includes fee of \$73,094.28 paid in connection with filing on January 8, 2004.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SOLICITATION STATEMENT

TELECOM ARGENTINA S.A.

Telecom Argentina S.A., a *sociedad anónima* organized under Argentine law (Telecom, us or we) is conducting a solicitation of powers of attorney or commitments to approve and execute an *Acuerdo Preventivo Extrajudicial*, an out-of-court restructuring agreement governed by Argentine law which we refer to as the APE.

Pursuant to the APE, we propose to restructure all of our outstanding debt (except for our commercial obligations, as described herein) by issuing notes with new payment terms, and/or by paying cash consideration, in accordance with the options described herein. Our outstanding debt is comprised of outstanding notes and outstanding loans. As of December 31, 2003, our unconsolidated outstanding debt (not including our commercial obligations) was the equivalent of US\$2,801 million (including accrued but unpaid interest, penalties and post-default interest rate increases).

As more fully described in this solicitation statement, holders of our outstanding notes and outstanding loans will receive at their option, for each 1,058 denominated in dollars, euro, Japanese yen or Argentine pesos aggregate principal amount of outstanding debt and principal face amount adjustment (computed as described in this solicitation statement), either

- an option, which we refer to as Option A, to receive 1,058 principal amount of step-up notes due 2014, which we refer to as the series A notes; or
- an option, which we refer to as Option B, to receive step-up notes due 2011, which we refer to as the series B notes (holders whose underlying outstanding debt is denominated in dollars will receive US\$1,000 principal amount of series B notes and holders whose underlying outstanding debt is denominated in euro, pesos and yen will receive an amount of series B notes equal to the dollar equivalent of 94.5% of their principal and principal face amount adjustment); or
- an option, which we refer to as Option C, to receive a cash payment in equivalent U.S. dollars, which we refer to as the cash consideration at a price not greater than 850 nor less than 740, to be determined pursuant to a Modified Dutch Auction.

We will also make interest payments to holders of our outstanding debt who elect Option A, Option B and Option C for part of the accrued but unpaid interest.

Participation in Option B and Option C will be subject to specified limits as more fully described in this solicitation statement. If one or both of these options is oversubscribed, participation in the oversubscribed option will be prorated based on the maximum amount of outstanding debt that may be retired under the applicable option. If either Option B or Option C is oversubscribed, holders electing these options may have a portion of their outstanding debt allocated to Option A. In addition, if Option C is undersubscribed, holders who elect to receive Option B will have up to 37.5% of their outstanding debt allocated to Option C.

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Holders of our outstanding notes will receive notes in the form of global notes in registered form. Holders of our outstanding loans will receive a separate series of notes in the form of certificated notes in registered form.

If the APE is approved by the reviewing court, holders who do not consent to the APE or who do not participate in this solicitation will receive series A notes and cash interest payments determined as described in this solicitation statement. No holders will be permitted to retain their outstanding notes and outstanding loans if the APE is executed and subsequently approved by the reviewing court.

For purposes of the APE, all holders of our outstanding debt will constitute a single category (class).

This solicitation will expire at 3:00 p.m., New York City time, 4:00 p.m., Buenos Aires time, on July 21, 2004, unless we extend it in our sole discretion. We refer to such time and date, as they may be extended, as the expiration date.

The execution of the APE is subject to holders of our outstanding debt electing a minimum required participation in Option A, to a minimum level of creditor consent, and to certain other conditions (or the waiver thereof) as described in this solicitation statement.

We encourage you to consider carefully the risk factors beginning on page 54 of this solicitation statement.

We will apply to have the notes issued to holders of outstanding notes listed on the Buenos Aires Stock Exchange or the *Mercado Abierto Electrónico S.A.* and, in the case of notes denominated in euro, on the Luxembourg Stock Exchange. The notes issued to holders of outstanding loans will not be listed on any exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this solicitation statement is truthful or complete. Any representation to the contrary is a criminal offense.

The notes issued outside the United States have not been registered under the United States Securities Act of 1933, as amended (the Securities Act), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to a registration statement under the Securities Act or in certain transactions exempt from the registration requirements of the Securities Act.

The solicitation agents for this APE solicitation are:

MORGAN STANLEY

MBA BANCO DE INVERSIONES S.A.

June 22, 2004

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We are soliciting from the holders of our outstanding debt powers of attorney in favor of The Bank of New York, as settlement agent, or the commitment of holders of outstanding loans, to approve and execute the APE, including holders of the following outstanding notes:

Series C Medium Term Notes Due 2002 (ISIN No. US879273AE01, CUSIP No. 879273AE0);

Series E Medium Term Notes Due 2005 (ISIN No. XS0076226942);

Series 1 Medium Term Notes Due 2003 (ISIN No. XS0109260686);

Series 2 Medium Term Notes Due 2004 (ISIN No. XS0131485624);

Series I Medium Term Notes Due 2004 (ISIN No. XS0096148779);

Series K Medium Term Notes Due 2002 (ISIN No. XS0099123712);

Series F Medium Term Notes Due 2007 (ISIN No. XS0076689024); and

Series H Medium Term Notes Due 2008 (ISIN No. XS0084707313).

In order to grant a power of attorney to execute the APE on their behalf, or commit to execute the APE directly, holders of outstanding debt must return to the settlement agent a duly executed letter of transmittal setting forth their preferred consideration among the options offered. If the APE is executed and subsequently approved, or *homologado*, in the form that we have proposed by a commercial court of the City of Buenos Aires, Argentina, we will make available to each consenting holder of our outstanding debt, at that holder's option, subject to proration and the other terms and conditions of the APE, the notes and/or cash consideration, as applicable, and payments of a portion of accrued but unpaid interest as described in this solicitation statement. If the APE is approved by the reviewing court, holders who do not consent to the APE or who do not participate in this solicitation also will receive series A notes and cash interest payments determined as described in this solicitation statement. No holders will be permitted to retain their outstanding notes and outstanding loans if the APE is executed and subsequently approved by the reviewing court.

Concurrently with this APE solicitation, our 99.99% owned subsidiary, Telecom Personal S.A., is proposing to restructure its outstanding indebtedness, including intercompany obligations. As of December 31, 2003, Telecom Personal's unconsolidated outstanding debt and intercompany obligations amounted to the equivalent of US\$599 million (including US\$27 million principal amount of intercompany obligations owed to Telecom, accrued but unpaid interest, penalties and post-default interest rate increases).

Telecom's APE is not conditioned upon the completion of the Telecom Personal restructuring; however, Telecom has the right, in its sole discretion, to terminate the APE at any time prior to March 31, 2005 if Telecom Personal has not executed its APE agreement, unless Telecom has already received court approval for the APE.

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INTRODUCTION

The APE Solicitation

We are soliciting consents to enter into an out-of-court restructuring agreement governed by Argentine law, referred to as an *Acuerdo Preventivo Extrajudicial*, or APE.

The procedure for restructuring debt through an APE was recently adopted under Argentine law. Consequently, there are substantial uncertainties as to how courts will apply the rules governing proceedings involving APE agreements. See [Summary Payment Default and Restructuring](#), [Failure of the Restructuring](#), [Risk Factors](#) [Risks Associated with the APE Solicitation](#). The Argentine Bankruptcy Law does not specify how the requisite majorities should be calculated for purposes of the court approval of the APE and [The APE Solicitation](#).

Reasons for the APE Solicitation

As a result of the deterioration of the economic environment in Argentina, the devaluation and volatility of the Argentine peso, the subsequent conversion into pesos of our tariffs at the ratio of P\$1.00=US\$1.00 and uncertainties surrounding the adjustment of our regulated tariffs, we have been unable to make principal and interest payments on our outstanding debt, and, as a result, in April 2002 and June 2002, we announced the suspension of payments of principal and interest, respectively, on our and our Argentine subsidiaries' financial debt obligations. The purpose of the APE solicitation is to restructure our outstanding debt in order to obtain terms that we anticipate will enable us to service our debt so that we can improve our financial condition and liquidity. If the APE solicitation fails, we may enter into reorganization (*concurso*) proceedings or bankruptcy (*quiebra*). See [Risk Factors](#) [Risks Associated with the APE Solicitation](#). If the restructuring is not consummated, there is a significant likelihood that we will have to commence reorganization proceedings or face bankruptcy proceedings and [Background and Reasons for the APE Solicitation](#).

In this solicitation statement, we present amounts in dollar equivalents for the convenience of the reader.

We contemplate replacing all of our unconsolidated outstanding debt with the equivalent of US\$2,701 million in consideration in the form of notes and/or cash consideration under the three options described below. In addition, we will pay to holders of our outstanding debt who elect Option A and Option B, an Option A/B cash interest payment, and to holders of our outstanding debt who elect Option C, an Option C cash interest payment (each as defined below) to pay part of the accrued but unpaid interest on our outstanding debt. The principal amount of our unconsolidated outstanding debt (excluding accrued but unpaid interest, penalties and post-default interest rate increases, which we refer to as the principal face amount of our unconsolidated outstanding debt) was the U.S. dollar equivalent of US\$2,553 million as of December 31, 2003. The principal face amount of our unconsolidated outstanding debt also includes certain commissions payable to banks on our outstanding loans that are being restructured pursuant to the APE and to certain other banks that do not hold our outstanding loans (the commissions). The amount of our unconsolidated outstanding debt, including accrued but unpaid interest, penalties and post-default interest rate increases, was the equivalent of US\$2,801 million as of December 31, 2003.

In this solicitation statement, amounts of outstanding debt or accrued interest thereon denominated in pesos, euro and Japanese yen but expressed in U.S. dollars have been calculated by converting such amounts into U.S. dollar amounts based on the exchange rates as of December 31, 2003. Unless otherwise indicated, we have calculated U.S. dollar equivalents at the exchange rates as of December 31, 2003, as discussed in

Presentation of Financial Information Exchange Rates.

Interest Payments on Our Outstanding Debt

In June 2003, we paid all holders of our outstanding debt a partial interest payment equal to the contractual rate of accrued but unpaid interest on our debt then outstanding for the period through June 24, 2002 plus 30% of

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the contractual rate of accrued but unpaid interest on such indebtedness for the period beginning on June 25, 2002 and ending on December 31, 2002 (determined, in each case, without giving effect to any penalties or post-default interest rate increases). In connection with the outstanding debt restructuring under Option A, we will pay a portion of the remaining accrued but unpaid interest on our outstanding debt by capitalizing past due interest, which means we will add this amount to the principal face amount of outstanding debt to be restructured, as described below. We will also pay a portion of the accrued but unpaid interest in cash as described below.

Principal Face Amount Adjustment Based on Accrued but Unpaid Interest

For purposes of calculating the outstanding debt to be restructured pursuant to the APE, we will increase the principal face amount of outstanding debt to be restructured by making an adjustment corresponding to a portion of the accrued but unpaid interest on all of our outstanding debt (except for our commercial obligations, as described herein) for the period from June 25, 2002 through December 31, 2003 (regardless of whether the holders of such debt participate in the APE). We refer to this adjustment for accrued but unpaid interest on our outstanding debt from June 25, 2002 through December 31, 2003, which equals the equivalent of an aggregate amount of approximately US\$148 million, as the principal face amount adjustment. The amount of the adjustment has been determined by multiplying the outstanding principal of each outstanding note or outstanding loan denominated in U.S. dollars, euro, pesos or Japanese yen (excluding accrued but unpaid interest, penalties and post-default interest rate increases) as of December 31, 2003 by a factor equal to 1.058 (1.058-1), which we refer to as the adjustment amount. The adjustment amount represents an amount equal to U.S. six-month LIBOR plus 3% on the aggregate principal face amount of our outstanding debt, less the aggregate amount of the partial payment of past due interest we paid to holders of our outstanding debt in June 2003 for the period beginning on June 25, 2002 and ending on December 31, 2002. On the FX Reference Date and the issuance date (as defined under Certain Deferred Terms Terms Relating to the APE Solicitation and Restructuring Plan), we will make an additional adjustment with respect to our outstanding loans denominated in pesos based on the CER (see Certain Defined Terms), a stabilization coefficient calculated by the Banco Central de la República Argentina (the Argentine Central Bank), or the Central Bank.

The principal face amount adjustment does not represent the contractual amount of accrued but unpaid interest on the aggregate principal face amount of our outstanding debt for the June 25, 2002 to December 31, 2003 period. The amount of such interest, including penalties and post-default interest rate increases, under the contractual terms of our outstanding debt as of December 31, 2003 amounted to the equivalent of approximately US\$248 million. Accordingly, the principal face amount adjustment may represent less than or more than the contractual or statutory rate of interest (and penalties and post-default interest rate increases, if applicable) on any specific series of outstanding notes or any specific outstanding loan.

As a result of the principal face amount adjustment, for each 1,000 denominated in dollars, euro or Japanese yen principal face amount of outstanding debt, a holder of outstanding debt will have 1,058 denominated in dollars, euro or Japanese yen, as applicable, of outstanding debt to be restructured pursuant to the APE. For each P\$1,000 principal face amount of outstanding loans (or commissions), a holder of peso-denominated loans will have outstanding debt of P\$1,058 to be restructured that will be adjusted based on the CER on the FX Reference Date and the issuance date.

The equivalent of US\$2,701 million of our outstanding debt to be restructured includes the aggregate principal face amount of the equivalent of US\$2,553 million plus principal face amount adjustment of the equivalent of approximately US\$148 million.

The consideration delivered to holders who elect (or are prorated into) Option A will be 1,058 principal amount of notes for each 1,058 of outstanding debt plus principal face amount adjustment. In connection with debt restructured under Option A, an amount of accrued but unpaid interest equal to the principal face amount adjustment will be capitalized, or added to the amount of debt to be restructured.

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The consideration delivered to holders who elect (or are prorated into) Option B, subject to allocation to Option C if Option C is undersubscribed, and proration, will be US\$1,000 per US\$1,058 of outstanding debt plus

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principal face amount adjustment, which amount represents 94.5% of the outstanding debt plus principal face amount adjustment. The consideration delivered to holders who elect (or are prorated into) Option C will be within the range of 740 to 850 per 1,058 principal amount and principal face amount adjustment of outstanding debt, which amount represents 70-80% of the outstanding debt plus principal face amount adjustment. The consideration to be delivered to holders who elect Option B and have 37.5% of their outstanding debt allocated to Option C will be approximately 89% of the outstanding debt plus principal face amount adjustment. Because the principal face amount adjustment will not be deemed to be capitalized for holders of outstanding debt who receive consideration under Option B or Option C and such principal face amount adjustment will be considered relinquished by operation of law on the issuance date, these holders will not receive 100% of their principal face amount plus principal face amount adjustment.

Cash Interest Payment to Holders Who Receive Series A Notes or Series B Notes

If the APE is completed in the form we have proposed, holders who receive series A notes or series B notes will receive, in addition to their notes, a cash interest payment covering the period from January 1, 2004 to the issuance date of the notes. This payment will be calculated based on the new principal amount of the notes to be issued under Option A and Option B, and will be paid at an annual rate equal to 5.53% for the series A notes denominated in dollars (or 4.83% for euro-, 1.93% for yen- or 3.23% for peso-denominated series A notes) and 9% for the series B notes. We refer to the cash payment we will make on the issuance date to holders who receive Option A and Option B as the Option A/B cash interest payment. The Option A/B cash interest payment may be less than or more than the contractual or statutory rate of interest (including penalties or post-default interest rate increases, if applicable) on any specific series of outstanding notes or on any specific outstanding loan. We will make the Option A/B cash interest payment in the same currency as the notes issued to the holder.

Option C Cash Interest Payment to Holders Who Receive Cash Consideration

If the APE is completed in the form we have proposed, holders who receive Option C will receive, in addition to their cash consideration, a cash interest payment covering the period from January 1, 2004 to the issuance date. This cash interest payment will be calculated based on the amount of interest that has accrued on the US\$663 million of available cash in Option C from January 1, 2004 until the issuance date, and will be paid an annual rate equal to the federal funds target rate (the weighted average U.S. federal funds target rate as listed on Bloomberg L.P. under the symbol FDTR for the period from January 1, 2004 through the issuance date). We refer to the cash interest payment we will make on the issuance date to holders who elect Option C as the Option C cash interest payment. Holders who receive cash consideration will receive the Option C cash interest payment, in U.S. dollars.

Consideration Offered Pursuant to the APE

Debt Securities and Cash Consideration

If the APE is executed and subsequently approved, or *homologado*, by a commercial court of the City of Buenos Aires, Argentina, in the form that we have proposed, and the other conditions to this APE solicitation are satisfied or waived, we will make available to each consenting holder of our outstanding debt, at that holder's option, subject to proration (in the case of Option B and Option C) and the other terms and conditions of the APE, for each 1,058 amount of outstanding debt including principal face amount adjustment denominated in dollars and, in the case of Option A only, in dollars, euro, Japanese yen or Argentine pesos, as the case may be:

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- Option A to holders who select Option A, 1,058 principal amount of series A notes due 2014.
- Option B to holders who select Option B, US\$1,000 principal amount of series B notes due 2011 (except that holders of outstanding debt denominated in euro, pesos and yen who select Option B will receive an amount of series B notes equal to the dollar equivalent of 94.5% of their principal and principal face amount adjustment).

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Combination of Option B with 37.5% Participation in Option C If Option C is undersubscribed, holders who elect to receive Option B will have up to 37.5% of their principal face amount and principal face amount adjustment of outstanding debt allocated to Option C. In addition, if Option C is undersubscribed, holders who select Option B will receive at least 625 principal amount of series B notes, and up to 319 of cash consideration, which will vary based on the applicable currency as described above.

- Option C to holders who select Option C, cash consideration at a price not greater than 850 nor less than 740, to be determined pursuant to a Modified Dutch Auction, which means that we will select the single lowest purchase price based on the prices specified by holders, within the range of 740 to 850 per 1,058 of principal face amount and principal face amount adjustment of outstanding debt, that will enable us to purchase an aggregate of the equivalent of up to US\$825 million principal face amount and principal face amount adjustment of outstanding debt (calculated based on the exchange rates in effect as of the close of business on the FX Reference Date).

The principal amount of peso-denominated loans will also be adjusted based on the CER, as required by Argentine law, on the FX Reference Date and the issuance date.

With respect to each 1,058 aggregate principal face amount and principal face amount adjustment of outstanding debt to be restructured, the consideration to be provided to holders of outstanding debt, in terms of aggregate principal amount, corresponds to 100% of 1,058 under Option A, approximately 94.5% of 1,058 under Option B, between approximately 70%-80% of 1,058 under Option C, and approximately 89% under the combination of Option B with 37.5% participation in Option C.

Holders of outstanding debt that receive cash consideration under Option C will receive the dollar equivalent of their purchase price in cash in U.S. dollars.

In this solicitation statement, we refer to:

- Option A, Option B and Option C together as the options ;
- the series A notes and the series B notes to be issued to holders of outstanding notes as the listed notes ;
- the series A notes and the series B notes to be issued to holders of our outstanding loans as the unlisted notes ;
- the listed notes and unlisted notes together as the notes ;
- the Option A/B cash interest payment and the Option C cash interest payment together as the cash interest payments ; and
- the issuance date as defined under Description of the Notes Certain Defined Terms.

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The notes are described under Description of the Notes. Holders of our outstanding notes will receive listed notes initially represented by global certificates in fully registered form which may be issued in tranches denominated in dollars or euro in the case of Option A, and in dollars in the case of Option B. Holders of our outstanding loans and commissions will receive unlisted notes (in separate series from the series of listed notes) in the form of certificated notes which may be denominated in dollars, euro, pesos or Japanese yen, in the case of Series A notes, or in dollars, in the case of Series B notes.

Proration

There is no limit on the principal face amount of our outstanding debt and principal face amount adjustment that can be retired under Option A. However, there is a limit on the principal face amount of our outstanding debt and principal face amount adjustment that can be retired under Option B and Option C. These limits are:

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- up to US\$1,376 million principal face amount and principal face amount adjustment of our outstanding debt can be retired under Option B; and
- up to US\$825 million principal face amount and principal face amount adjustment of our outstanding debt can be retired under Option C.

Consequently, if holders of outstanding debt elect to retire outstanding debt in excess of the limits under Option B or Option C, proration will be required. The elections of participating holders may give rise to a need for us to prorate if Option B or Option C are oversubscribed, and to allocate the remaining portion of outstanding debt and principal face amount adjustment into the undersubscribed options. In addition, if Option C is undersubscribed, holders who elect to receive Option B will be deemed to have agreed to have up to 37.5% of their principal face amount and principal face amount adjustment of their outstanding debt allocated to Option C.

In order to determine the need for proration, if Option C is undersubscribed, we will first allocate available consideration under Option C (up to the US \$825 million limit on Option C) to holders who elected Option B as described below under Allocation of Outstanding Debt Under Option B to Option C. If Option B is oversubscribed even after this allocation of debt to Option C, we will allocate the remaining portion of the oversubscribed amount of Option B's principal face amount and principal face amount adjustment outstanding debt and to Option A.

If Option C is oversubscribed, we will first allocate the oversubscribed portion of the principal face amount and principal face amount adjustment of the outstanding debt of holders who elected Option C to Option A.

As a result of proration, participating holders who select Option B or Option C may not receive the consideration specified in their letter of transmittal. Proration procedures are described under The APE Solicitation Terms of the APE Solicitation Proration Steps.

Allocation of Outstanding Debt Under Option B to Option C

If Option C is undersubscribed, holders who elect to receive Option B will have up to 37.5% of their principal face amount and principal face amount adjustment of outstanding debt allocated to Option C. These holders whose debt is allocated to Option C will be deemed to have selected 850, the highest price within the Modified Dutch Auction range of 740 to 850 per 1,058 principal amount of outstanding debt, including principal face amount adjustment, with respect to their outstanding debt that has been allocated into Option C.

Purchase of Notes if Option C Remains Undersubscribed After 37.5% Allocation

If Option C remains undersubscribed after the allocation of outstanding debt under Option B to Option C, then within 45 days of the issuance date, we will apply the difference between the US\$663 million of cash available under Option C less the U.S. dollar amount that is finally allocated into Option C to purchase notes through Market Purchase or Optional Redemption transactions or through a Note Payment (as these terms are defined in Description of the Notes Certain Definitions).

Non-Participating Holders

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If the APE is approved by the reviewing court in the form we have proposed, and the other conditions to this solicitation are satisfied or waived, holders of our outstanding debt who do not participate in this solicitation or holders who vote against the APE (whom we refer to collectively as non-participating holders) will have their principal face amount and principal face amount adjustment of outstanding debt allocated into Option A, or, if the reviewing court decides to allocate consideration in a different manner, will receive the consideration determined by the reviewing court at the time the reviewing court approves the APE, subject only to the overall limit of Option B and Option C. If the reviewing court does decide to allocate consideration in a different manner, we will publish a notice of such decision as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination.

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Exchange of Outstanding Debt to be Restructured

On the issuance date, immediately prior to the cancellation of the outstanding debt, we will instruct the settlement agent to, at the request of holders of outstanding debt who have elected Option B, exchange all or a portion of the outstanding loans or outstanding notes to be restructured. Upon the request of a participating holder of outstanding loans or outstanding notes who has elected Option B, we will instruct the settlement agent to exchange all or a portion of the holder's outstanding loans or outstanding notes to be restructured under Option B (or, in the event of proration into Option A, under Option A) for an equal amount of outstanding notes or outstanding loans held by other participating holders that would otherwise be retired under Option C. In this exchange, holders of outstanding loans requesting an exchange would receive outstanding notes and holders of outstanding notes who elect or are allocated into Option C would be deemed to agree to receive outstanding loans. This exchange will be subject to availability based on the amount of outstanding notes and outstanding loans to be retired under Option C, to proration among holders requesting such an exchange, and to timely delivery of any documentation required by Telecom relating to the exchange, including an assignment of the outstanding loan in order to effect the exchange in a form to be provided by the information agent.

Under this exchange of outstanding loans for outstanding notes and outstanding notes for outstanding loans to be retired under Option C, holders will receive the same amount of consideration (in the same currency) pursuant to the APE solicitation that they would have otherwise received in the absence of this exchange. This exchange may impact the form of consideration that consenting holders to the exchange receive pursuant to the APE, because holders of outstanding loans who select Option B and agree to the exchange will, to the extent the exchange is effected, receive listed notes instead of the unlisted notes that they otherwise would have received, and holders of outstanding notes who select Option B and agree to the exchange will, to the extent the exchange is effected, receive unlisted notes instead of the listed notes that they otherwise would have received.

Remaining Unpaid Existing Indebtedness

If the APE is completed in the form we have proposed, all of our outstanding debt, except for our commercial obligations, as defined below, will be restructured or refinanced and our obligation to pay any amount of principal, interest and penalties on our outstanding debt, and any other amounts that remain unpaid in connection with our existing outstanding debt will be extinguished under Argentine law as of the issuance date.

We have commercial obligations, which include intercompany accounts with related parties (which, as of December 31, 2003, amounted to P\$2 million), accounts payable, obligations to pay taxes, salaries and social security payments including obligations to any federal (such as the *Administración Federal de Ingresos Públicos*, the Argentine federal tax authority, which we refer to as the AFIP, or the *Administración Nacional de la Seguridad Social*, the Argentine social security authority), provincial or municipal tax or social security authorities and other non-financial liabilities, including agency fees to agent banks under outstanding syndicated loans. We refer to these obligations collectively as the commercial obligations and to the unsecured creditors to whom we have commercial obligations as the commercial creditors. Generally, we have been paying our commercial obligations as they become due and intend to remain current in these obligations. In this solicitation statement, when we refer to our outstanding debt, we do not include our commercial obligations. Since our commercial obligations are not included in the amount of our outstanding debt to be restructured, we are not soliciting the participation of our commercial creditors in the APE.

Calculation of U.S. Dollar Equivalents for Consideration

- For purposes of making the allocation of outstanding debt among options, calculating the cash interest payments, calculating the cash consideration and calculating proration, we will convert the principal amount and principal face amount adjustment of outstanding debt into U.S. dollars by applying the exchange rates for exchanging dollars into euro, pesos and

yen, respectively, in each case in effect as of the close of business on the FX Reference Date.

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Procedures for Approving the APE

Procedures for Participating

If you hold outstanding notes, in order to participate in this APE solicitation you must, on or prior to the expiration date,

- grant the settlement agent a power of attorney to execute the APE on your behalf and to attend and vote affirmatively at any meeting of holders of outstanding notes that might be required to confirm and give effect to the APE by duly executing and delivering the accompanying letter of transmittal to the settlement agent, in accordance with the procedures described under The APE Solicitation Letter of Transmittal; Representations, Warranties and Covenants of Holders of Outstanding Debt and
- provide the appropriate instructions in order to block your outstanding notes in accordance with the procedures described under The APE Solicitation Procedures for Participating in the APE Solicitation How to Participate if You Hold Outstanding Notes.

If you hold outstanding notes through a securities intermediary, DTC, Euroclear or Clearstream, Luxembourg, see The APE Solicitation Procedures for Participating in the APE Solicitation.

If you are a registered holder of outstanding loans, in order to participate in this APE solicitation you must, on or prior to the expiration date,

- duly execute and deliver to the settlement agent the accompanying election form in the letter of transmittal whereby you either grant the settlement agent a power of attorney to execute the APE on your behalf, or commit to execute the APE directly, and
- agree not to transfer your outstanding loan during the APE process.

See The APE Solicitation Procedures for Participating in the APE Solicitation How to Participate if You are a Registered Holder of Outstanding Loans.

Irrevocable Grant

A grant of a power of attorney or a commitment to sign the APE directly will be irrevocable except as otherwise provided in this solicitation statement. Consequently, you will not be able to change your vote with respect to the APE or change your election as to the options from the time that you submit your letter of transmittal and power of attorney or commitment to sign the APE directly contained therein, to the settlement agent to the time, if any, that the APE process is terminated. You also will not be permitted to sell or otherwise dispose of your outstanding debt during this period. See The APE Solicitation Revocation, The APE Solicitation Once Submitted, Outstanding Notes Cannot Be Transferred and The APE Solicitation Expiration Date; Extensions; Amendments; Termination. For a discussion of when holders of outstanding debt can revoke previously granted powers of attorney or commitments if there is an amendment to the terms and conditions of the APE that is materially adverse to one or more holders of outstanding debt, see The APE Solicitation Revocation.

Conditions to Execution of the APE Agreement

This APE solicitation and our execution of the APE are subject to a number of conditions.

Minimum Required Participation in Option A. This APE solicitation and the execution of the APE are subject to the condition that holders of our outstanding debt elect to retire at least the equivalent of US\$300 million of outstanding debt and principal face amount adjustment under Option A.

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Level of Creditor Consent. This APE solicitation and the execution of the APE is also subject to the condition that the settlement agent receives powers of attorney from holders of outstanding notes or outstanding loans or if applicable, the commitment of holders of outstanding loans to sign the APE directly, from holders (1) representing at least a majority in number of the holders of our outstanding debt and (2) representing at least two-thirds, or any lower percentage that may be required by Argentine law, of the outstanding principal and accrued interest (including penalties and post-default interest rate increases) on our outstanding debt. We refer to these two conditions collectively as the level of creditor consent, and we refer to the number of holders and amount of outstanding debt required to satisfy this level of creditor consent as the requisite majorities. The Argentine legislature is currently considering draft legislation which would reduce the requisite majorities in order for a court to approve an APE to 51% of the aggregate principal amount of outstanding unsecured debt. See Description of the APE Summary of Proceedings Involving APE Agreements for a description of the proposed legislation.

For purposes of determining whether the level of creditor consent is satisfied, accrued interest on the principal amount of our outstanding debt (including penalties and post-default interest rate increases) will be calculated at the rates specified in the underlying instruments or applicable laws governing the outstanding debt on the cut-off date (as defined under Certain Defined Terms Terms Relating to the APE Solicitation and Restructuring Plan). If the level of creditor consent is not met by the requisite majorities, we will either terminate this APE solicitation or amend the APE and will publish a notice of such amendment or termination of the APE as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination.

If the requisite majorities either grant the settlement agent powers of attorney to execute the APE on their behalf, or, in the case of our outstanding loans, commit to sign the APE directly, the APE will be executed as early as practicable after the expiration date. As soon as practicable thereafter, we will file the APE with the reviewing court for its approval.

If the minimum required participation in Option A is met and we obtain the support in favor of the APE from holders of at least 95% of our outstanding debt, we reserve the right, in our sole discretion and subject to any additional regulatory approvals that may be required, to pursue an out-of-court restructuring without seeking court approval of the APE.

Reviewing Court Approval of the APE Agreement

The APE will still be subject to court approval after it is approved by the requisite majorities. You will not be permitted to sell or otherwise dispose of your outstanding debt during the interim period (as defined under Certain Defined Terms). APE procedures are governed by Argentine Law No. 24,522, as amended. There have been few court cases interpreting this law and neither the scope nor the timing of the court's review is certain. As a result, we cannot assure you that the APE will receive court approval or that this approval will be received on a timely basis or in the form contemplated by this solicitation statement. See Risk Factors Risks Associated with the APE Solicitation. We and the participating holders reserve the right to terminate the APE if the reviewing court makes modifications to the restructuring plan that are materially adverse to one or more holders of our outstanding debt or to us provided that any amendment by the reviewing court to the allocation or proration (up to the limits of Option B and Option C) will not be considered a termination event. If the APE is terminated, we will publish a notice of such termination as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination.

Court approval of the APE will affect the rights of all holders of our outstanding debt, whether or not they participate in this APE solicitation, but will not affect other creditors, such as secured creditors and commercial creditors. Our Argentine counsel has advised us that any monetary claims against us relating to unsecured debt to be restructured pursuant to the APE will be stayed by Argentine courts at the time the APE is filed with the reviewing court for approval provided that we have complied with the requirements set forth under the Argentine Bankruptcy Law.

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You will not receive notes, cash consideration or cash interest payments until after the reviewing court approves this APE and certain other conditions described in this solicitation statement are satisfied or waived. We cannot predict how long it will take the reviewing court to reach a decision on the APE but it is likely that the court process will take at least several months and it may take substantially longer.

Calculation of U.S. Dollar Equivalents

In connection with procedures for approving the APE, we will apply the following rates for purposes of determining the U.S. dollar equivalent of amounts denominated in other currencies:

- For the principal amount of outstanding debt denominated in euro, at the U.S. dollar/euro exchange rate quoted by Bloomberg L.P. (Bloomberg Screen (EUR currency) BID SIDE PCS Composite (NY)) at 4:59 p.m., New York City time;
- For the principal amount of outstanding debt denominated in Japanese yen, at the Japanese yen/U.S. dollar exchange rate quoted by Bloomberg L.P. (Bloomberg Screen (JPY currency ASK SIDE PCS Composite (NY)) at 4:59 p.m., New York City time; and
- For the principal amount of outstanding debt denominated in Argentine pesos, at the U.S. dollar/peso exchange rate quoted by Bloomberg L.P. (Bloomberg Screen (ARS currency) ASK SIDE PCS Composite (NY)) at 4:59 p.m., New York City time, if such exchange rate reflects a rate of exchange that differs from the average rates available in the free exchange market on such day by 10% or more, the average rates for such day.

For purposes of calculating the requisite majorities required for receiving reviewing court approval of the APE, we intend to convert the principal amount of outstanding debt into U.S. dollars by applying these exchange rates on the cut-off date. See *The APE Solicitation Calculation of Requisite Majorities* .

All calculations and determinations will be made by reference to the U.S. dollar-denominated principal amount resulting from these calculations, notwithstanding that the original currency of issue may strengthen or weaken against the U.S. dollar after that date.

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ABOUT THIS SOLICITATION STATEMENT

We have prepared this solicitation statement and are solely responsible for its contents. This solicitation statement has been prepared solely for use in connection with this APE solicitation. By receiving this solicitation statement, you represent that your investment decision is based solely on this solicitation statement and that you are not relying on any other information you may have received from us, except as acknowledged below.

This solicitation statement contains important information about us and significant recent developments in Argentina. Social, political, economic and legal conditions in Argentina are changing very rapidly, and we cannot anticipate with any degree of certainty how and to what extent those changing conditions will impact our operations or affect our future or this APE solicitation. An APE agreement is a recently adopted legal mechanism to restructure the debt of Argentine companies, and there are substantial uncertainties as to how courts will apply the rules governing proceedings involving APE agreements, including with respect to matters that may be adverse to your interests as our creditor. Holders of our outstanding debt should be aware of the uncertainties regarding our future operations and financial condition and significant risks associated with their decision to participate in this APE solicitation. See Risk Factors.

All inquiries relating to this solicitation statement and the transactions contemplated in this solicitation statement should be directed to the solicitation agents, information agent, or settlement agent during normal business hours, at their addresses or telephone numbers on the back cover page. Holders of outstanding debt may obtain additional copies of this solicitation statement and related documents from the solicitation agents or information agent or from us.

We and other sources we believe to be reliable have furnished the information contained in this solicitation statement. Nothing contained in this solicitation statement is or shall be relied upon as a promise or representation, whether as to the past or the future. This solicitation statement contains summaries that we believe to be accurate of certain terms of certain documents, but reference is made to the actual documents, copies of which may be made available upon request, for the complete information summarized in this solicitation statement. All these summaries are qualified in their entirety by these references.

You should not construe the contents of this solicitation statement as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of receiving notes and/or cash consideration and cash interest payments in payment for your outstanding debt. We make no representation to you regarding the legality of providing a consent to the APE and obtaining notes and/or cash consideration and cash interest payments in the APE under appropriate legal investment or similar laws.

The information contained in this solicitation statement is as of the date hereof and subject to change, completion or amendment without notice. Neither the delivery of this solicitation statement at any time nor any subsequent commitment to enter into any transaction with us in respect of your outstanding debt, under any circumstances, create any implication that there has been no change in the information set forth in this solicitation statement or in our affairs since the date of this solicitation statement.

The distribution of this solicitation statement may be restricted by law in certain jurisdictions. Persons into whose possession this solicitation statement comes must inform themselves about and observe any of these restrictions.

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The notes will constitute *obligaciones negociables* under Argentine Law No. 23,576, as amended by Argentine Law No. 23,962, or the Negotiable Obligations Law, and will be entitled to the benefits set forth therein and subject to the procedural requirements thereof. The *Comisión Nacional de Valores* (Argentine National Securities Commission, or CNV) will not issue an opinion with regard to the information contained in this solicitation statement.

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The listed notes will be authorized for public offer in Argentina, and may be offered and sold in circumstances that constitute a public offering under Argentine Law No. 17,811, as amended.

Information contained in this solicitation statement with respect to Argentina's political status, laws and economy has been derived from the Argentine government and other public sources and we and our Board of Directors accept responsibility only for accurately extracting information from these sources. This APE solicitation will be made in Argentina using a separate but substantially similar Spanish language solicitation statement, as amended or supplemented from time to time.

The APE solicitation will be made in Italy pursuant to a separate but substantially similar Italian language solicitation statement, as amended or supplemented from time to time, which will be registered with the CONSOB (as defined in Certain Defined Terms Terms Relating to the APE Solicitation and Restructuring Plan). The APE solicitation will be directed to holders of our outstanding notes in Italy using only the Italian language solicitation statement. The Italian solicitation statement can only be distributed or circulated in Italy to holders of outstanding notes in Italy in relation to the APE and will be subject to the relevant Italian public offer rules.

The APE solicitation will be directed to holders of our outstanding loans using this English language solicitation statement.

The notes being offered and sold outside the United States to holders who are not U.S. persons (as defined in The APE Solicitation Letter of Transmittal; Representations, Warranties and Covenants of Holders of Outstanding Debt) will be offered and sold in offshore transactions in reliance upon Regulation S of the Securities Act. The notes issued outside the United States to non-U.S. holders will be represented by a Regulation S Note and each holder will, by its acceptance thereof, be deemed to have made the representations discussed in The APE Solicitation Letter of Transmittal; Representations, Warranties and Covenants of Holders of Outstanding Debt. See Transfer Restrictions and Jurisdictional Notices.

Each prospective participant in this APE solicitation must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the interests in the APE or notes, cash consideration and cash interest payments and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the interests in the APE or notes, cash consideration and cash interest payments under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes these purchases, offers or sales, and we will not have any responsibility therefor.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Certain information included in this solicitation statement contains information that is forward-looking, including but not limited to:

- the impact of the emergency laws and subsequent related laws enacted by the Argentine government;
- our plans to restructure our outstanding debt;
- our expectations for our future performance, revenues, income, earnings per share, capital expenditures, dividends, liquidity and capital structure;
- the impact of rate changes on revenues;
- the effects of operating in a competitive environment; and
- the outcome of certain legal proceedings.

Forward-looking statements may also be identified by words such as believes, expects, anticipates, projects, intends, should, seeks, future or similar expressions. This forward-looking information involves risks and uncertainties that could significantly affect expected results. The risks and uncertainties include, but are not limited to:

- uncertainties relating to political and economic conditions in Argentina;
- uncertainties relating to the restructuring of our outstanding debt, including the possible failure of this APE solicitation;
- uncertainties relating to our ability to continue as a going concern;
- inflation and exchange rate risks;
- the impact of the emergency laws enacted by the Argentine government, which resulted in the amendment of the Convertibility Law and related laws and regulations subsequently enacted by the Argentine government;
- the devaluation of the peso;
- restrictions on the ability to exchange pesos into foreign currencies;

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- the adoption of a restrictive currency transfer policy;
- the conversion into pesos of rates charged for certain public services;
- the elimination of indexes to adjust rates charged for certain public services;
- the possible adjustment to our rates charged for public services;
- the executive branch's announced intention to renegotiate the terms of the concessions granted to public service providers, including Telecom;
- nationalization;
- the impact of regulatory reform and changes in the regulatory environment in which we operate; and
- the effects of competition.

Due to extensive and rapid changes in laws and economic and business conditions in Argentina, it is difficult to predict the impact of these changes on our financial condition. Other relevant factors may include, but are not limited to:

- the recession in Argentina;
- the Argentine government's insolvency and debt restructuring efforts;

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- inflationary pressure and reduction in consumer spending;
- the impact of actions undertaken by our competitors;
- the impact of actions taken by third parties, including courts and other governmental authorities; and
- the outcome of certain legal proceedings.

These forward-looking statements are based upon a number of assumptions and other important factors that could cause our actual results, performance or achievements to differ materially from our future results, performance or achievements expressed or implied by these forward-looking statements. Readers are encouraged to consult our annual report on Form 20-F and our periodic filings on Form 6-K, which are filed with or furnished to the SEC.

We undertake no obligation to make any revision to the forward-looking statements contained in this solicitation statement or to update them to reflect events or circumstances occurring after the date of this solicitation statement.

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CERTAIN DEFINED TERMS

Terms Relating to the APE Solicitation and Restructuring Plan

APE means an *Acuerdo Preventivo Extrajudicial*, which is an out-of-court restructuring agreement governed by Argentine law.

Argentine Bankruptcy Law means Law No. 24,522, as amended. We will file our APE in accordance with the Chapter VII, Title II of Argentine Bankruptcy Law.

Argentine court day means any day, other than a Saturday or Sunday, on which courts in the City of Buenos Aires are open.

Argentine GAAP means generally accepted accounting principles as applied in Argentina.

business day means any day, other than a Saturday or Sunday, on which banks in the City of Buenos Aires and the City of New York are open.

CER means the *Coefficiente de Estabilización de Referencia* or the reference stabilization coefficient as calculated by the Argentine Central Bank, or any successor thereto, in accordance with the formula set forth in Annex I of Argentine Law No. 25,713. If the CER is abrogated, found to be inapplicable or not published, references to CER shall refer to any replacement measure adopted under Argentine law or, in the absence of any such replacement measure, any adjustment that shall be necessary to provide a substantially equivalent rate of return on the notes denominated in pesos (the *Peso Notes*) in comparison with similar notes issued in dollars.

CNV (*Comisión Nacional de Valores*) means the Argentine National Securities Commission.

Concurso means a voluntary reorganization proceeding governed by Argentine law.

CONSOB (*Commissione Nazionale per le Società e la Borsa*) means the Italian Securities and Exchange Commission.

cut-off date means the date for which we prepare the statement of assets and liabilities required to be filed with the reviewing court together with the APE, which will be a date not earlier than 60 days before the APE filing date.

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FX Reference Date means the date announced by Telecom through a press release issued during the solicitation period at such time as Telecom believes it has obtained sufficient affirmative support from holders of its outstanding debt to fulfill the requisite majorities and level of creditor consent conditions to the APE, which date will be the second business day following the date of such announcement.

implementation period means the period from the date on which the APE is approved (assuming it is not denied by the reviewing court) to the earlier of the termination date or issuance date.

interim period means the review period plus the implementation period.

issuance date means the date of issuance and delivery of the notes, cash consideration and cash interest payments, which shall occur as soon as practicable but not later than 90 days after either reviewing court approval or any other deadline imposed by the reviewing court if the reviewing court decides that non-participating creditors can elect any options within a specific deadline.

Juicios ejecutivos means summary attachment proceedings governed by Argentine law.

Libor means the rate appearing on Page BBAM of the Bloomberg L.P. (or on any successor or substitute page of such service, providing rate quotations comparable to those currently provided on such page of such service, for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the first day of such semi-annual period, as the rate for dollar deposits with a maturity of six months. In the event that such rate is not available at such time for any reason, then the LIBOR for the relevant Interest Period shall be the rate at which

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deposits in dollars are offered by The Bank of New York or one of its affiliate banks at approximately 11:00 a.m., London time, two Business Days prior to the first day of such period to prime banks in the London interbank market for a period of six months commencing on the first day of such semi-annual period and in a principal amount not less than US\$1.0 million.

Quiebra means a voluntary or involuntary bankruptcy proceeding governed by Argentine law.

Requisite Termination Majorities means:

(a) with respect to the termination events of the APE Agreement at the option of Telecom or the participating holders and at the option of the participating holders with respect to paragraphs (a), (b), (e) and (f) of the termination events of the APE Agreement (see *Description of the APE Termination of the APE Agreement*), participating holders holding the following principal amount of outstanding debt:

- (i) forty percent (40%) during a six-month period beginning on the date we execute the APE with the requisite majorities; and
- (ii) twenty five percent (25%) during a 12-month period beginning on the next day after the lapse of the period set forth in (i) above; and
- (iii) twelve point five percent (12.5%) for the period beginning on the next day after the lapse of the period set forth in (ii) above; and

(b) with respect to paragraphs (c), (d), and (g) of the termination events of the APE Agreement (see *Description of the APE Termination of the APE Agreement*) at the option of the participating holders holding the following amount of outstanding debt:

- (i) twenty percent (20%) during a six-month period beginning on the date we execute the APE with the requisite majorities; and
- (ii) ten percent (10%) for the period beginning on the next day after the lapse of the period set forth in (i) above.

review period means the period from the date on which the APE is filed with the reviewing court until the date on which the APE is either approved or denied by the reviewing court.

reviewing court means the commercial court of the City of Buenos Aires, with which we will file our APE (including, if applicable, any appellate court).

SEC means the United States Securities and Exchange Commission.

Terms Relating to Telecom s Business and Industry

The following explanations are not intended as technical definitions, but to assist the reader in understanding certain terms related to our business and industry that are used in this solicitation statement.

Access charge : Amount paid per minute charged by network operators for the use of their network by other network operators.

Access deficit : The portion of costs related to the access network that are not covered by the revenues generated by the use or availability of subscribers connected to this network.

Access network : The elements that allow the connection of each subscriber to the corresponding local switch. They consist of the termination point, elements of outside plant and specific parts of the local switching equipment that make available the permanent connection from the termination point to the local switch.

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ADSL (Asymmetric Digital Subscriber Line): A compression technology that allows combinations of services including voice, data and one-way full motion video to be delivered over existing copper feeder distribution and subscriber lines.

AMPS (Advanced Mobile Phone Service): An analog cellular telephone service standard utilizing the 850 MHZ band, in use in North America, parts of South America, Australia and various other areas.

Analog : A mode of transmission or switching which is not digital, *e.g.*, the representation of voice, video or other modulated electrical audio signals which are not in digital form.

BCRA : *Banco Central de la República Argentina* (the Central Bank of the Argentine Republic).

Calling party pays : The system whereby the party placing a call to a cellular phone rather than the cellular subscriber pays for the air time charges for the call.

Cellular service : A mobile telephone service provided by means of a network of interconnected low-powered base stations, each of which covers one small geographic cell within the total cellular system service area.

CNC : *Comisión Nacional de Comunicaciones* (the Argentine National Communications Commission).

CNT : *Comisión Nacional de Telecomunicaciones* (the Argentine National Telecommunications Commission), the former regulatory body, later replaced by the CNC.

Convertibility Law : Law No. 23,928 and its Regulatory Decree No. 529/91. The Convertibility Law fixed the exchange rate at one peso per U.S. dollar. The Convertibility Law was partially repealed on January 6, 2002 by the enactment of the Public Emergency Law.

Decree No. 92/97 : Decree issued on January 31, 1997 which implemented the Rate Rebalancing.

Digital : A mode of representing a physical variable such as speech using the digits 0 and 1 only. The digits are transmitted in binary form as a series of pulses. Digital networks allow for higher capacity and higher flexibility through the use of computer-related technology for the transmission and manipulation of telephone calls. Digital systems offer lower noise interference and can incorporate encryption as a protection from external interference.

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February Agreement : An agreement entered into on February 28, 1992 and subsequently ratified by Decree No. 506/92 between the Argentine government and Telecom. This agreement provides for the reduction of domestic long-distance rates from their then-current level. The reduction became effective on May 1, 1992.

Fiber Optics : A transmission medium which permits extremely high capacities. It consists of a thin strand of glass that provides a pathway along which waves of light can travel for telecommunications purposes.

Free pulses : The number of free pulses included in the monthly basic charge prior to the issuance of Decree No. 92/97.

GSM : Global System for Mobile communications. A standard for digital cellular technology. Originated in Europe, to provide pan-European roaming capabilities. The technology has recently been introduced and installed in almost all continents. This standard is based on TDMA standard and is considered second-generation cellular technology.

GPRS : General Packet Radio Service. An enhanced second-generation wireless technology used to transmit data over wireless networks. GPRS transmits and receives packets of data in bursts instead of using continuous open radio channels, and it is used to add faster data transmission speed to GSM networks. GPRS is packet based rather than circuit based technology.

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IASC : International Accounting Standard Committee.

IFRS : International Financial Reporting Standards.

Internet : A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks from around the globe. These networks all use the IP (Internet Protocol) communications protocol.

List of Conditions : The Privatization Regulations, including the *Pliego de Bases y Condiciones* approved by Decree No. 62/90, as amended. Pursuant to the List of Conditions, Telecom was required to meet certain minimum annual standards regarding the expansion of its telephone system and improvements in the quality of its service in order to maintain and extend the exclusivity of its non-expiring license to provide fixed-line public telecommunications services and basic telephony services in the northern region of Argentina.

Metropolitan Area Buenos Aires (AMBA): The area of the Federal District and greater Buenos Aires (Gran Buenos Aires).

Miniphone Region : The region including Metropolitan Area Buenos Aires, which extends to the city of La Plata to the South, the city of Campana to the North, the city of General Rodríguez to the West and the city of Monte Grande to the Southwest.

Network : An interconnected collection of elements. In a telephone network, these consist of switches connected to each other and to consumer equipment. The transmission equipment may be based on fiber optic or metallic cable or point-to-point radio connectors.

November Agreement : An agreement between Telecom and the Argentine government providing for rates to be dollar-based and, at the election of each of Telecom and Telefónica de Argentina S.A, adjusted semi-annually according to the U.S. consumer price index. The November Agreement was ratified by Decree No. 2585/91 and became effective on December 18, 1991.

PCS : Personal Communications Service. A wireless communications service with systems that operate in a manner similar to cellular systems.

Penetration : The measurement of the take-up of services. As of any date, the penetration is calculated by dividing the number of subscribers by the population to which the service is available and multiplying the quotient by 100.

Presubscription of Long-distance Service : The selection by the customer of international and domestic long-distance telecommunications services from a long-distance telephone service operator.

Price Cap : The application of annual reductions to the general level of rates established in the List of Conditions.

Privatization Regulations : The Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees.

Public Emergency Law : The Public Emergency and Foreign Exchange System Reform Law No. 25,561 adopted by the Argentine government on January 6, 2002, as amended by Law No. 25,790 and Law No. 25,820. Among others, the Public Emergency Law grants the executive branch of the Argentine government the power to set the exchange rate between the peso and foreign currencies, to issue regulations related to the foreign exchange market and to renegotiate public service agreements.

Pulse : Unit on which the tariff structure is based.

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Rate Agreement : The November Agreement, as supplemented by the February Agreement. The Rate Agreement, among other things, permits Telecom to effect aggregate rate reductions required pursuant to the List of Conditions by lowering rates for some or all categories of service, provided that the net reductions meet applicable targets.

Rate Rebalancing : The rate rebalancing established by Decree No. 92/97 which provides for a significant reduction in domestic and international long-distance tariffs, an increase in basic telephony charges, the elimination of free pulses and an increase in urban rates.

Regulatory Bodies : Collectively, the SC and the CNC.

RT : Technical Resolutions issued by the Argentine Federation of Professional Boards of Economic Sciences.

Satellite : Satellites are used, among other things, for links with countries that cannot be reached by cable to provide an alternative to cable and to form closed user networks.

SC : *Secretaría de Comunicaciones* (the Argentine Secretary of Communications).

Switches : These are used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

TDMA (Time Division Multiple Access): A standard of digital cellular technology that divides a single channel into a number of slots, enabling the transmission of multiple voice circuits per channel.

Transfer Date : November 8, 1990, the date upon which Telecom commenced operations upon the transfer from the Argentine government of the telecommunications system in the northern region of Argentina that was previously owned and operated by Empresa Nacional de Telecomunicaciones.

Universal service : The availability of basic telephony service at an affordable price to all persons within a country or specified area.

U.S. GAAP : Generally accepted accounting principles in the United States of America.

Value Added Services : Value Added Services provide additional functionality to the basic transmission services offered by a telecommunications network.

Terms Relating to the Notes

For certain definitions relating to the notes, see [Description of the Notes](#) [Certain Definitions](#).

Table of Contents**TIMELINE FOR THE APE PROCESS**

This timeline has been prepared based on our best estimate of when expected events will occur, but the APE process may take substantially longer than we have indicated in this timeline. To our knowledge, proceedings involving APE agreements have been tested in only a few cases to date by Argentine courts. Consequently, Argentine courts may construe the statutory rules applicable to these proceedings in a manner differently than we do, resulting in changes to this timeline. We understand from our Argentine counsel that the experience in reorganization (concurso) proceedings suggests that the objection period (as described under Summary of the APE Process) may be extended by the reviewing court by up to several months. Furthermore, unforeseen changes to Argentine law or other events could cause the actual timeline to differ from the description set forth below. Finally, we prepared this timeline on the assumption that the APE process will be successful.

<u>Date and Time</u>	<u>Events</u>
June 22, 2004	Commencement of this APE solicitation.
July 21, 2004	Scheduled expiration date of this APE solicitation unless it is extended. If the minimum required participation in Option A, the level of creditor consent or any other condition to this APE solicitation has not been met or waived, we reserve the right to extend the expiration date of this APE solicitation one or more times, but not later than December 31, 2004. We will announce any extension of the expiration date of this APE solicitation no later than 9:00 a.m., New York City time, 10:00 a.m., Buenos Aires time, on the business day after the previously scheduled expiration date.
Acceptance of consents	Following the expiration date, when the minimum required participation in Option A, the level of creditor consent, and all other conditions to this APE solicitation have been met or waived, we will publicly announce acceptances of duly executed and submitted consents to this APE solicitation. We may decide, in our sole discretion, to call or to request that the reviewing court call one or more meetings of holders of our outstanding notes to consider this APE solicitation. These meetings could occur before or after the acceptance of the consents and could delay the timetable for obtaining approval of the APE by the reviewing court. If the minimum required participation in Option A is met and we obtain the support in favor of our APE from holders of at least 95% of our outstanding debt, we reserve the right, in our sole discretion and subject to any additional regulatory approvals that may be required, to pursue an out-of-court restructuring without seeking court approval of the APE.
Not later than 45 days from acceptance of consents	We, holders of our outstanding loans that have committed to sign the APE directly and the settlement agent, on behalf of all other holders of outstanding debt participating in this APE solicitation, will execute the APE within 30 days from the date on which we received consent from the requisite majorities. We will then file the executed APE with the reviewing court on a business day within 15 days from the execution date of the APE, but not later than December 31, 2004. We refer to the date of this filing as the APE filing date.

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Date and Time

Events

APE filing date + 5 business days	We will publish notices of the court proceedings relating to our APE agreement in newspapers of general circulation in Argentina and Luxembourg for five business days after the commencement of these proceedings and in the official gazette of the reviewing court's jurisdiction. The review period will be the period from the APE filing date through the date the APE is granted or denied by the reviewing court.
Final publication date + 10 Argentine court days	Period during which holders of outstanding debt that did not participate in this APE solicitation may file objections to the APE. We refer to this period as the objection period.
After the objection period	The reviewing court will determine the procedure and timing for resolution of objections filed, if any, including whether these objections should be open for discovery for 10 Argentine court days. We refer to this period as the objection discovery period.
After completion of the objection discovery period	The reviewing court will rule on any objections filed. After ruling on these objections, the reviewing court will approve or reject the APE. While the reviewing court is supposed to rule on the objections and grant or deny APE approval within 10 Argentine court days after the end of the objection discovery period, based on the experience of Argentine courts in <i>concurso</i> (reorganization) proceedings, it is likely that this period may extend substantially up to several months beyond 10 Argentine court days.
Not later than 90 consecutive days after receiving approval of the APE by the reviewing court or any such deadline that may be imposed by the reviewing court	Provided that we obtain required approvals with respect to the public offer of the listed notes in Argentina, Italy and the United States, and subject to the other conditions to the APE solicitation as described in this solicitation statement, we will cause the notes to be issued and delivered and Option A/B cash interest payment to be paid pursuant to the APE to holders who elect Option A and Option B, and the Option C cash consideration and Option C cash interest payment to be paid to holders who elect Option C on the issuance date, upon which our obligations under the APE will be fully performed within 90 consecutive days of either receiving reviewing court approval or of any other deadline imposed by the reviewing court if the reviewing court decides that non-participating creditors can elect any options within a specific deadline.

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SUMMARY

The following summary highlights information contained elsewhere in this solicitation statement. Accordingly, this summary may not contain all of the information that may be important to you. We urge you to read and review carefully this entire solicitation statement, including the section entitled Risk Factors, and the financial statements included herein, as well as the other documents to which this solicitation statement refers, in order to understand fully Telecom, the restructuring, this APE solicitation and the terms of the notes to be issued and cash consideration and cash interest payments to be made pursuant to the APE.

The following discussion is not indicative of our current or future results of operations, liquidity or funding, and should be read in conjunction with, and is qualified in its entirety by, the sections entitled Risk Factors and Operating and Financial Review and Prospects.

Telecom Argentina S.A.

Overview

We are a *sociedad anónima* organized under Argentine law. We provide public telecommunications services in Argentina, in particular fixed-line local, national and international long distance services, as well as data transmission and access to Internet service, and through our subsidiaries, we provide mobile telecommunications services in Argentina and Paraguay and publish telephone directories. Our headquarters are located at Alicia Moreau de Justo 50 (C1107AAB) Buenos Aires, Argentina and the telephone number of our principal executive offices is 011-54-11-4968-4000.

As a consequence of a number of developments, including the deterioration of the economic environment in Argentina, the devaluation and volatility of the Argentine peso (the peso or P\$), the conversion into pesos of our rates at the ratio of P\$1.00=US\$1.00 and uncertainties surrounding the adjustment of our regulated tariffs, in the first half of 2002 we announced the suspension of payments of principal and interest on our outstanding debt.

As of December 31, 2003, we had the following unconsolidated outstanding debt (calculated in U.S. dollar equivalents):

- approximately US\$1,677 million aggregate principal face amount of outstanding notes issued under our medium term note programs;
- approximately US\$876 million aggregate principal face amount of outstanding loans owed to financial institutions relating to working capital loans, debt issuances and trade financings; and
- approximately US\$248 million in accrued but unpaid interest (including penalties and post-default interest rate increases) on our outstanding notes and outstanding loans, calculated, in each case at the rate specified in these notes and loans.

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In addition to the unconsolidated outstanding debt described above, we also have commercial obligations, which include accounts payable, intercompany and related party accounts payable, obligations to pay taxes, salaries and social security payments (including obligations to any federal, provincial or municipal tax or social security authorities) and other liabilities, including agency fees under outstanding syndicated loans. Additionally, our subsidiaries have outstanding debt obligations and other liabilities. Generally, we have been paying our commercial obligations as they become due and intend to remain current in these obligations. Accordingly, we are not soliciting the participation of our commercial creditors in the APE, as we will presume that our commercial creditors have consented to the APE because the APE will not affect their legal, equitable or contractual rights. See [Summary of the APE Process](#) [Approval of an APE](#) .

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The equivalent of US\$2,701 million of our outstanding debt to be restructured includes the aggregate principal face amount of the equivalent of US\$2,553 million plus principal face amount adjustment of the equivalent of approximately US\$148 million, each calculated as of December 31, 2003. See *Capitalization* for more information about our recent unconsolidated debt totals as of March 31, 2004.

Recent Developments

Marginal Improvement in the Argentine Economy During 2003 and the first three months of 2004

The Argentine economy improved marginally during 2003. The peso appreciated against the U.S. dollar, ending with a rate of P\$2.93 per US\$1.00 as of December 31, 2003 compared to P\$3.80 per US\$1.00 as of June 30, 2002 and P\$3.37 per US\$1.00 as of December 31, 2002. Inflation also slowed as the Argentine consumer price index increased by 3.7% during 2003 compared to an increase of 41% in 2002. However, despite these changes and certain other improvements in Argentine financial indicators, the cumulative economic, social and political deterioration caused by the events of 2002 remains largely unaffected, and Argentine real gross domestic product is still far below pre-crisis levels, rising by 8.7% in 2003, after decreases of 10.9% in 2002, 4.4% in 2001, 0.8% in 2000 and 3.4% in 1999. Moreover, while the key components of our business remained strong in 2003 and our operating results were enhanced by the appreciation of the Argentine peso and the impact of our cost reduction initiatives, resulting in consolidated net income of P\$351 million for the year ended December 31, 2003 compared to a consolidated net loss of P\$4,386 million for the year ended December 31, 2002, our operating results and financial condition remain highly vulnerable to fluctuations in the Argentine economy.

During the first three months of 2004, the peso appreciated against the U.S. dollar, ending with a rate of P\$2.86 per US\$1.00 as of March 31, 2004 compared to P\$2.93 per US\$1.00 as of December 31, 2003. Inflation remained stable as the Argentine consumer price index increased by 1.1% during the first three months of 2004.

Recent Financial Results

On May 10, 2004 Telecom announced its unaudited interim consolidated financial results for the three months ended March 31, 2004. Telecom reported consolidated net income of approximately P\$124 million, compared to P\$907 million on the first three months of 2003, principally as a result of lower foreign currency gains. Telecom's consolidated net revenues for the first three months of 2004 were P\$1,017 million, compared to P\$851 million for the first three months of 2003. The increase in revenues reflected recovery in demand for telecommunications services, particularly for cellular services in Argentina. See *Operating and Financial Review and Prospects* *Recent Developments*.

Current Legal Proceedings

We are aware of two involuntary bankruptcy petitions, or *pedidos de quiebra*, for an aggregate amount of US\$356,787 and eight summary attachment proceedings, or *juicios ejecutivos*, that have been filed against us by persons alleging to be holders of our outstanding notes for the aggregate value of the equivalent of approximately US\$2.2 million (based on exchange rates as of May 31, 2004). We have not been served process with respect to the bankruptcy petitions. We have been served process and have filed the required formal responses for each of the *juicios ejecutivos*. In addition, certain attachments have been granted over an aggregate amount of approximately US\$3.5 million (based on exchange rates as of May 31, 2004) of funds and assets of Telecom. We do not expect that these bankruptcy petitions or summary attachment proceedings and attachments will result in Telecom being declared bankrupt. However, there is a significant likelihood that we will have to

commence reorganization (*concurso*) proceedings if we are unable to consummate the APE expeditiously and if claims of this nature increase.

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Majority Shareholder Structure

Since 1990, our principal shareholder has been Nortel Inversora S.A., or Nortel. Nortel owns approximately 54.74% of our capital stock, including all of our Class A common shares and 8.5% of our Class B common shares.

Nortel is a holding company that was formed in 1990 by a consortium including Telecom Italia S.p.A., or Telecom Italia, a member of the Telecom Italia Group (as defined under *Major Shareholders and Related Party Transactions* *Major Shareholders*), and France Cables et Radio S.A., or FCR, a member of the France Telecom Group (as defined under *Major Shareholders and Related Party Transactions*). At the time that Nortel was formed, Telecom entered into a management agreement with Telecom Italia and FCR, whom we refer to collectively as the

Operators, pursuant to which the Operators agreed to manage the business of Telecom and to provide services, expertise and technical know-how with respect to Telecom's activities. See *Information on Telecom* *Our Business* *Management Agreement*. Until December 19, 2003, the Telecom Italia Group and the France Telecom Group (as defined under *Major Shareholders and Related Party Transactions*) each owned a 50% interest in the common stock of Nortel.

We have been informed that on December 19, 2003, the France Telecom Group and the Telecom Italia Group transferred their respective shareholdings in Nortel to a new Argentine company named Sofora Telecomunicaciones Sociedad Anónima, or Sofora. After this transfer, the France Telecom Group sold a 48% interest in the total share capital of Sofora to W de Argentina Inversiones, S.L., a holding company incorporated in the Kingdom of Spain, and a company of the Werthein family, which we refer to as the Werthein Group, for US\$125 million, including a call option on the remaining 2%, exercisable from January 31, 2008 to December 31, 2013. Concurrently, the Telecom Italia Group purchased from Werthein Group two call options for US\$60 million, one for the purchase of 48% of Sofora's share capital, which can be exercised within 15 days of December 31, 2008, and an additional call option on 2% of Sofora's share capital, which can be exercised between December 31, 2008 and December 31, 2013.

The SC has approved the transaction and authorized the Telecom Italia Group to continue as exclusive Operator of Telecom.

In connection with these transactions, a shareholders' agreement between Telecom Italia Group and the Werthein Group for the joint management of Sofora, Nortel, Telecom and its affiliates was executed.

We have been informed that, as a result of these transactions, the Telecom Italia Group holds 50%, the Werthein Group holds 48% and the France Telecom Group holds 2% of Sofora's capital stock. Sofora owns 100% of the common stock, and 67.78% of the capital stock of Nortel. See *Major Shareholders and Related Party Transactions* *Major Shareholders*.

Board Composition

Upon the France Telecom Group's transfer of 96% of its Sofora shares to the Werthein Group on December 19, 2003, two directors and two alternate directors who were previously nominated by FCR to Telecom's board resigned from Telecom's Board of Directors. Since then, in addition to Alberto Messano and Amadeo Ramón Vázquez, Oscar Carlos Cristianci, Gerardo Werthein, Raúl Antonio Miranda and Julio Pedro Naveyra have been elected as directors. In addition to Guillermo Alberto Brizuela and Franco Alfredo Livini, Adrián Werthein, Ignacio Abel González García, Luis María Gómez Iza and Osvaldo Canova have been elected as alternate directors of Telecom's Board of Directors. Adrián Werthein and Gerardo Werthein are affiliated with the Werthein Group. Amadeo Ramón Vázquez, Raúl Antonio Miranda and Julio Pedro

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Naveyra are independent directors. Osvaldo Canova and Ignacio Abel González García are independent alternate directors.

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Name Change

Effective April 12, 2004, Telecom legally changed its name to Telecom Argentina S.A.

Payment Default and Restructuring

Purpose of the APE

The continuing economic crisis in Argentina has had a number of negative effects on the Argentine economy that have adversely affected our financial condition. The devaluation in 2002 of the Argentine peso caused the cost, in peso terms, of servicing our U.S. dollar-denominated indebtedness to increase significantly, and resulted in material foreign exchange losses. For the fiscal year ended December 31, 2002, we reported a net loss of P\$4,386 million, compared to net income of P\$100 million for the fiscal year ended December 31, 2001, principally as a result of the macroeconomic environment in Argentina, including the devaluation and subsequent volatility of the peso and the effects of inflation adjustment on our financial statements. Also, the inability of Telecom to increase regulated tariffs after the pesification of regulated tariffs at a rate of US\$1=P\$1 enforced by the Argentine government, the decrease in traffic in our basic telephony business (mainly in domestic and international long distance services) and the declines in both traffic and average revenue per user in the mobile business had an impact on net income. The macroeconomic factors described above led to our announcement of a suspension of payments of principal and interest on our financial debt obligations in April and June 2002.

For the year ended December 31, 2003, we reported net income of P\$351 million, compared to a net loss of P\$4,386 million for the year ended December 31, 2002, principally attributable to the positive impact of the appreciation of the Argentine peso on our foreign exchange position and the effect of cost reduction initiatives. However, our operations and financial condition have been, and continue to be, significantly impacted by the macroeconomic environment in Argentina, particularly the volatility of the peso, uncertainty concerning inflation and the effects of inflation adjustment and the continued lack of tariff adjustments. As a result, our liquidity and overall financial condition continue to be strained.

After announcing the suspension of payments in 2002, we engaged in discussions and negotiations with representatives of holders of outstanding debt, including discussions on alternative restructuring proposals. In these discussions our creditors expressed a wide range of preferences, and, in some cases, conflicting preferences, as to the terms of a restructuring. In January 2004 we announced a comprehensive plan to restructure our outstanding debt. Since that time, we have engaged in further discussions and negotiations with representatives of holders of our outstanding debt, including banks, export credit agencies and other institutions holding our outstanding loans, and representatives of holders of our notes. Based on the feedback we received in these recent discussions, we have made changes to our initial restructuring proposal in order to, among other things, simplify the proposal and, in light of recent improvements in Telecom's operations, to achieve support from certain creditors based on their assurances of support for a modified proposal. We have attempted to satisfy as many of the concerns expressed by our creditors as we deemed possible in order to receive the support of the requisite majorities, while still enabling us to operate effectively in the context of an uncertain macroeconomic environment in Argentina. Our proposal includes a set of three options that address distinct preferences expressed by certain creditors. These options include:

- an option to restructure the full face principal amount including principal face amount adjustment of outstanding debt with new debt to be repaid over a longer period of time, and at a lower rate of interest, rather than have debt restructured at a discount to its face value including principal face amount adjustment;

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- an option to be repaid over a shorter period of time at a higher fixed rate of interest, but without receiving the full principal face amount, including principal face amount adjustment, of outstanding debt; holders electing this option agree that up to 37.5% of their outstanding debt amount including

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principal face amount adjustment may be allocated to the cash consideration at less than the full principal face amount of the original debt; and

- a preference for receiving cash consideration at less than the full principal face amount of the original debt instead of continuing to hold debt obligations at a discount.

Although we have incorporated some of the concerns raised by our creditors in our discussions with them, not all of the concerns raised by these creditors are reflected in our restructuring plan.

The purpose of this APE solicitation is to restructure our outstanding debt on terms that we anticipate will enable us to service our debt, in order to improve our financial condition and liquidity. If the APE solicitation fails, we may enter into reorganization (*concurso*) or become subject to bankruptcy (*quiebra*) proceedings. If the minimum required participation in Option A, level of creditor consent, court approval of the APE and certain other conditions are satisfied or waived, the rights of all holders of our outstanding debt would be affected whether or not they participate in this APE solicitation. In contrast, a successful APE solicitation will not be binding on, or have any impact on, our commercial creditors, other than as the restructuring will affect availability to meet our liabilities generally in the future. See The APE Solicitation Summary of the APE Process.

Failure of the Restructuring

A substantial portion of our outstanding debt is denominated in foreign currency and is governed by foreign law. Notwithstanding the economic crisis in Argentina and subsequent devaluation and pesification, Telecom has recorded its outstanding obligations at their respective original foreign currencies in the expectation that the debt restructuring would be completed successfully. If a restructuring plan pursuant to the APE is not completed, our management will analyze different courses of action in order to preserve the continuity of Telecom's operations. As discussed in Note 12 to Telecom's consolidated financial statements as of and for the year ended December 31, 2003, such actions may include pursuing legal arguments to support the pesification of foreign-currency denominated debt governed by foreign law. In this event, Telecom would seek to treat the foreign-currency denominated debt of Telecom and its subsidiaries as having been pesified at a rate of P\$1 to US\$1 or its equivalent in other foreign currencies.

In addition, if the minimum required participation in Option A or the level of creditor consent is not satisfied or if certain other conditions are not satisfied or waived, this APE solicitation will fail and there is a significant likelihood that we will have to commence Argentine reorganization (*concurso*) or become subject to bankruptcy (*quiebra*) proceedings. The reorganization (*concurso*) and APE processes are similar in some respects and it is impossible to say whether our creditors will be treated more or less favorably in a *concurso* or in the APE. See Risk Factors Risks Associated with the APE Solicitation. If the restructuring is not consummated, there is a significant likelihood that we will have to commence reorganization proceedings or face bankruptcy proceedings for a discussion of the expected consequences of a reorganization (*concurso*) or bankruptcy (*quiebra*) proceeding.

The process of reorganization (*concurso*) and bankruptcy (*quiebra*) proceedings is subject to considerable uncertainty because they will be governed by a statute that was amended in 2002, and substantial aspects of the amended statute have not yet been applied or interpreted by the courts. Consequently, the actual outcome might be less favorable or more favorable for creditors than the consequences described in this document in ways we cannot foresee.

Future of Telecom if the Restructuring is Successful

If the APE is granted court approval in the form in which it has been proposed by us and the conditions to this APE are satisfied or waived, all principal, interest and all other claims relating to our outstanding debt will

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be replaced by the notes and the Option C cash consideration and the cash interest payments (computed as described in this solicitation statement in respect of the period from January 1, 2004 to the issuance date) pursuant to the APE solicitation.

We believe that the restructuring contemplated by this solicitation statement would result in a level of debt that we are capable of servicing for the term of the notes without requiring us to refinance all or any portion thereof in the capital markets or otherwise. This belief is based on a number of assumptions about macroeconomic factors that would affect key components of our business, including, without limitation:

- an exchange rate of Argentine pesos to U.S. dollars in the range of P\$3.00 to P\$5.00 per US\$1.00 for the term of the notes. If the Argentine peso depreciates below these ranges for a significant period of time, our ability to service our notes, which will be largely denominated in non-peso currencies, could be materially adversely affected;
- lower rates of inflation for the term of the notes than those experienced in 2002. We have assumed that inflation rates will range from a high of 12.8% in 2005 to 7.5% in 2011. If inflation rates return to the levels that existed during the first nine months of 2002 or exceed these levels, a reduction in real wages would persist, which could reduce demand for our services and reduce the amount of revenues we collect to service our debt. In addition, continued inflation could result in further depreciation of the Argentine peso, which would impact our ability to service our euro- and U.S. dollar-denominated debt;
- that we will eventually be permitted to implement tariff adjustments for basic charges, measured service charges and other rates for our services at least sufficient to offset most of the effects of inflation. If rates are not adjusted, we may not be able to collect the anticipated revenues and cash inflows to service our debt following the restructuring; and
- moderate growth in Argentine real gross domestic product. The growth in Argentine real gross domestic product is a driver for many of our service revenues, given the correlation of our business to the overall Argentine economy. If Argentine real gross domestic product grows at a rate that is substantially lower than the moderate rate that we expect, this would adversely impact the demand for our services and, subsequently, our ability to service our debt. We assume that Argentine real gross domestic product will increase by 3.0% annually through 2011.

We have made macroeconomic assumptions that we believe are conservative because these macroeconomic assumptions involve factors that are not within our control. To the extent that actual macroeconomic conditions are better than our assumptions and our financial results benefit from the improvements, we expect to be able to prepay indebtedness subject to the Mandatory Prepayment with Excess Cash provision in the terms of the notes. See the Mandatory Prepayment with Excess Cash covenant described under Description of the Notes Certain Covenants of Telecom.

We currently expect that cash on hand and cash from operations will be sufficient to allow us to continue to operate our business until the notes are issued and meet our financial obligations related to the restructuring. We estimate that our restructuring obligations will include up to approximately the equivalent of US\$663 million of cash consideration to be paid to holders of our outstanding debt who elect (or are allocated into) Option C pursuant to the APE. In addition, we expect to pay holders of our outstanding debt who elect to have their outstanding debt restructured under Option A or Option B an Option A/B cash interest payment on the issuance date, which will be up to the equivalent of approximately US\$114 million, in the aggregate, and to pay an Option C cash interest payment on the issuance date to holders of our outstanding debt who elect to have their outstanding debt restructured under Option C which will be up to the equivalent of US\$5 million. The cash interest payments for the period from January 1, 2004 to the issuance date will be computed as set forth in The APE Solicitation Issuance Date. The estimates provided herein assume that the consummation of the APE occurs on October 15, 2004. We will also require approximately the equivalent of an additional US\$25 million in

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cash to fund remaining costs of the restructuring, including administrative and other costs of the exchange of outstanding debt once the APE is approved, regulatory and filing fees for the notes and court, legal and advisory fees in connection with the APE and the restructuring. In the event that the issuance date does not occur prior to October 15, 2004, any amortization payments scheduled to become due prior to the issuance date will be paid on the issuance date. In addition to these obligations and our operating cash requirements, we will also require cash to fund capital expenditures. Although we currently believe that we will have sufficient cash to meet these cash requirements, due to various uncertainties, including the timing of the APE approval process, the actual amount of restructuring expenses and the state of the Argentine economy, we cannot assure you that we will have sufficient cash to meet all of our financial obligations related to the restructuring, or that, after the issuance date, we will be able to pay interest or principal on the notes on a timely basis. See Risk Factors Risks Associated with the Notes, Risk Factors Relating to Argentina and Risks Associated with Telecom and Its Operations.

Assuming the successful completion of the APE, we expect to manage our operations in a manner that will allow us to generate revenues and cash flows in order to meet our financial obligations. We will strive to continue to control operating costs and to maximize the use of our installed network capacity. We plan to maintain our fixed line networks in order to assure continued quality of service, to enhance our wireless networks by transitioning from TDMA to GSM technology and to continue to expand our Internet services, particularly our ADSL Internet service. We note, however, that the notes will impose certain restrictions that will limit our ability to finance our future operations and make capital expenditures and other investments.

The statements above constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties. Actual results may differ materially from those assumptions and expectations described above as a result of various factors, including the factors discussed under Special Note Regarding Forward-Looking Statements.

Summary Ratio of Earnings to Fixed Charges

Telecom's ratio of earnings to fixed charges (1) under Argentine GAAP and U.S. GAAP is as follows:

As of and for fiscal year ended

	September 1999	December 2000	December 2001	December 2002	December 2003
Argentine GAAP	2.9	1.8	1.2	(1)	1.7
U.S. GAAP	3.1	1.7	(1)	(1)	2.0

- (1) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as the sum of (a) pretax income (loss) from continuing operations before adjustment for minority interests in consolidated subsidiaries or equity gain or loss from related companies, (b) fixed charges and (c) amortization of capitalized interest minus (d) capitalized interest. A fixed charge is defined as the sum of: (1) all interest, whether expense or capitalized, (2) amortization of debt issue costs and (3) the interest-related portion of rental expense. Under Argentine GAAP, the earnings to fixed charges ratio for the year ended December 31, 2002 indicates less than one-to-one coverage. Consequently, earnings for this period are inadequate to cover fixed charges. A total amount of earnings of P\$5,667 million is required to attain a ratio of one-to-one determined under Argentine GAAP for the year ended December 31, 2002. Under U.S. GAAP, the ratios related to the years ended December 31, 2002 and 2001 indicate less than one-to-one coverage. Consequently, earnings for these periods are inadequate to cover fixed charges. A total amount of earnings of P\$2,861 million and P\$3,379 million is required to attain a ratio of one-to-one determined under U.S. GAAP for the years ended December 31, 2002 and 2001, respectively.

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Restructuring Tables

The tables below set forth our aggregate scheduled payments under our unconsolidated outstanding debt as of December 31, 2003 for the years indicated and compares the aggregate scheduled payments under the notes for the same years and for the term of the notes after the restructuring.

For purposes of the post-restructuring tables below, we assume the following:

- that interest on our principal face amount of outstanding debt denominated in U.S. dollars, euro and Japanese yen restructured under Option A will be capitalized in an amount of interest equal to the principal face adjustment and our peso-denominated outstanding loans restructured under Option A will be capitalized in an amount of interest equal to the principal face adjustment and adjusted based on the CER from June 25, 2002 through December 31, 2003;
- that we will make an Option A/B cash interest payment in respect of the period from January 1, 2004 to the issuance date to holders who have their outstanding debt restructured under Option A or Option B at a rate of 5.53% for the series A notes denominated in dollars (or 4.83% for euro-, 1.93% for yen- or 3.23% for peso-denominated series A notes) and 9% for the series B notes;
- our euro-denominated outstanding debt is converted into dollars at an exchange rate of 0.7954 per US\$1.00, our yen-denominated outstanding loans are converted into dollars at an exchange rate of ¥107.09 per US\$1.00 and our peso-denominated outstanding loans are converted into dollars at an exchange rate of P\$2.93 per US\$1.00, the exchange rates in effect as of December 31, 2003;
- only scheduled redemptions of principal on the notes are made in the case of the first post-restructuring table, and that a single prepayment of excess cash is applied on October 15, 2004, in the case of the second post-restructuring table;
- the issuance date occurs on October 15, 2004 (although we cannot assure you that we will receive reviewing court approval of the APE by that date); and
- holders of dollar denominated debt either elect Option B or elect to receive new notes in U.S. dollars.

Option B and Option C are Fully Subscribed

For purposes of the first post-restructuring table, we assume that Option B and Option C are fully subscribed and that the Modified Dutch Auction results in a purchase price of 850 dollars, euro, Japanese yen and pesos per 1,058 dollars, euro, Japanese yen and pesos, as applicable, of principal face amount and principal face amount adjustment of outstanding debt. Consequently, the post-restructuring table below assumes that participating holders elect, or are deemed to elect, to:

- restructure the equivalent of US\$500 million of outstanding debt and principal face amount adjustment with US\$500 million of series A notes;

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- restructure the equivalent of US\$1,376 million of outstanding debt and principal face amount adjustment with US\$1,301 million of series B notes; and
- retire the equivalent of the remaining US\$825 million of outstanding debt and principal face amount adjustment under Option C for a cash payment of US\$663 million.

The equivalent of US\$2,701 million of outstanding debt to be restructured includes the aggregate principal face amount of the equivalent of US\$2,553 million plus principal face amount adjustment of the equivalent of approximately US\$148 million.

See [Capitalization](#) for an explanation of our estimated capitalization as a result of the restructuring. See [Operating and Financial Review and Prospects](#) [Liquidity and Capital Resources](#) [Debt Service](#) for information regarding our aggregate scheduled payments under our consolidated outstanding debt after the

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restructuring. Our actual debt service obligations will depend upon the actual elections and deemed elections in addition to any allocation and proration adjustments, and upon the actual issuance date, which determines when interest begins to accrue on the notes based on the terms of the notes and ceases to accrue on the outstanding notes and outstanding loans.

PRE-RESTRUCTURING(1)

As of December 31, 2003

<u>Due in</u>	<u>Non-Peso-Denominated Outstanding Debt</u>	<u>Peso-Denominated Outstanding Debt</u>	
	<u>Principal(2)</u>	<u>Principal(2)</u>	<u>CER Adjustment(3)</u>
	(in millions of US\$)		
Prior to and through 2002	608	16	7
2003	702		
2004	546		
2005	69		
2006	36		
2007	267		
2008	261		
2009	18		
2010	10		
2011 and thereafter	13		
Total	2,530	16	7

POST-RESTRUCTURING(1)(4)

As of December 31, 2003

<u>Due in</u>	<u>Principal</u>	<u>Interest</u>
	(in millions of US\$)	
2004	68	
2005	158	136
2006	180	133
2007	190	115
2008	199	97
2009	267	91
2010	267	64
2011	267	37
2012	71	15
2013	71	9
2014	63	4

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- (1) Peso-denominated debt, euro-denominated debt and yen-denominated debt have been converted to U.S. dollars based on exchange rates as of December 31, 2003.
- (2) As of December 31, 2003, accrued but unpaid interest, calculated using the contractual interest rate or applicable statutory rate on the principal amount of all outstanding debt including penalties or post-default interest rate increases under the terms of the relevant outstanding debt, was US\$245 million on non-peso denominated outstanding debt and US\$3 million on peso-denominated outstanding debt.
- (3) Includes CER adjustments, as applicable, as of December 31, 2003.
- (4) These amounts do not reflect any amortization of the aggregate cost of the restructuring. In addition to these obligations and our operating cash requirements, we will require cash to fund capital

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expenditures, to fund costs of the restructuring, and to pay cash consideration of up to US\$663 million, make an estimated Option A/B cash interest payment of up to the equivalent of US\$114 million, and make an estimated Option C cash interest payment of up to the equivalent of US\$5 million in the aggregate (computed as set forth in The APE Solicitation Issuance Date and assuming the consummation of the APE occurs on October 15, 2004).

100% Allocation to Option A

We have included a second post-restructuring table in order to illustrate our aggregate scheduled payments under our unconsolidated debt if we issue the maximum amount of notes pursuant to the APE Solicitation. For purposes of the second restructuring table, we assume a 100% allocation to Option A, and that no outstanding debt and principal face amount adjustment will be retired under Option B or Option C.

The post-restructuring table below assumes that participating holders retire the equivalent of US\$2,701 million of our outstanding debt and principal face amount adjustment with US\$2,701 million of series A notes issued in U.S. dollars.

POST-RESTRUCTURING(1)(2)**As of December 31, 2003**

<u>Due in</u>	<u>Principal</u>	<u>Interest</u>
	(in millions of US\$)	
2004	749(3)	
2005	151	106
2006	130	98
2007	43	92
2008	22	90
2009	386	121
2010	386	90
2011	386	59
2012	386	28
2013	62	3

- (1) Peso-denominated debt, euro-denominated debt and yen-denominated debt have been converted to U.S. dollars based on exchange rates as of December 31, 2003.
- (2) These amounts do not reflect any amortization of the aggregate cost of the restructuring. In addition to these obligations and our operating cash requirements, we will require cash to fund capital expenditures, to fund costs of the restructuring, make an estimated Option A/B cash interest payment of the equivalent of up to US\$119 million in the aggregate under Option A. The cash interest payments will be computed as set forth in The APE Solicitation Issuance Date and assuming the consummation of the APE occurs on October 15, 2004.
- (3) This amount reflects the application of US\$663 million of cash consideration toward prepayment of the notes.

The tables above are for illustrative purposes only. The actual amount of our debt after the restructuring will depend on the actual and deemed elections made by participating holders and non-participating holders. Moreover, the actual amount of our debt after the restructuring will depend on any adjustments for proration that we make with respect to Option B and Option C, and to the reviewing court's cramdown of non-participating holders. Finally, the amount of our outstanding debt expressed in pesos (or, if applicable, dollars) will vary based upon prevailing exchange rates.

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Telecom Personal Restructuring

Concurrently with our APE solicitation, Telecom Personal (of which we own a 99.99% equity interest) is conducting an APE solicitation in which it is soliciting its existing creditors to approve an APE to restructure the equivalent of approximately US\$599 million of Telecom Personal's unconsolidated outstanding debt as of December 31, 2003, including approximately the equivalent of US\$27 million principal amount of intercompany obligations owed to Telecom, by issuing loans to its existing creditors with new payment terms and by paying cash consideration and making partial cash interest payments. The terms of Telecom Personal's loans pursuant to its restructuring are expected to be similar to the terms of Telecom's unlisted notes pursuant to its APE. For a discussion of the consideration options Telecom Personal will make available to each of its existing creditors pursuant to its APE solicitation, see "The APE Solicitation" Telecom Personal Restructuring Proposal. There is no guarantee that Telecom Personal will complete its restructuring plan on the terms described in this solicitation statement. Telecom Personal is currently discussing its restructuring proposal with representatives of its creditors, and Telecom is not certain whether Telecom Personal will complete its restructuring plan on the terms described above. Telecom's APE is not conditioned upon the completion of the Telecom Personal restructuring; however, Telecom has the right, in its sole discretion, to terminate the APE at any time prior to March 31, 2005 if Telecom Personal has not executed its APE Agreement, unless Telecom has already received court approval for the APE.

Telecom Personal's APE solicitation does not include Telecom Personal's outstanding guarantee of approximately the equivalent of US\$42.6 million principal face amount of financial indebtedness of Núcleo S.A., or Núcleo, our Paraguayan mobile telephony subsidiary. Núcleo is currently negotiating a restructuring of its financial indebtedness with its creditors. See "Operating and Financial Review and Prospects" Ongoing Restructuring Efforts "Repurchase and Cancellation of Outstanding Indebtedness." If Núcleo is not able to restructure the indebtedness underlying Telecom Personal's guarantee prior to the completion of Telecom Personal's restructuring, Telecom Personal expects to amend its APE solicitation in a manner in which the interests of the beneficiaries of the guarantee will be provided with the same consideration as the other holders of Telecom Personal's financial indebtedness. See "The APE Solicitation" Telecom Personal Restructuring Proposal.

Summary of the APE Process

The APE

An APE is a private restructuring agreement between a debtor and a certain percentage of its unsecured creditors affected by the restructuring that is submitted to a reviewing court for approval pursuant to the Argentine Bankruptcy Law. The Argentine Bankruptcy Law requires the debtor to obtain the level of creditor consent in order to obtain court approval. Upon approval by the reviewing court, an APE becomes binding on all the debtor's unsecured creditors affected by the restructuring proposal contained in the APE, whether or not those creditors have participated in the negotiation and execution of the APE. An APE enables debtors and creditors to negotiate a restructuring and avoid a bankruptcy (*quiebra*), without being subject to many of the procedural and substantive encumbrances and limitations of a reorganization (*concurso*) procedure.

Filing an APE Application

The Argentine Bankruptcy Law requires an APE proposal to treat all similarly-situated unsecured creditors equally; however, different options may be offered to creditors of the same category (class). An APE must describe the debtor's proposed new terms and conditions for payment of its outstanding indebtedness. The terms and conditions may include partial forgiveness of debt, extensions of maturity dates and any other valid options agreed to by the requisite majorities. For purposes of our APE, all holders of our outstanding debt will constitute a single category (class).

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Our Argentine counsel have advised us that the filing of an APE should automatically stay all monetary judicial proceedings against the debtor based on claims relating to unsecured debt to be restructured pursuant to the APE, including proceedings initiated prior to this filing, provided that the debtor complies with certain requirements set forth under Argentine Bankruptcy Law. See Risk Factors Risks Associated with the APE Solicitation.

A debtor must file the following documents with its APE:

- an assets and liabilities statement as of a recent date prior to the filing, as defined in Description of the APE Provisions Governing Submission of Outstanding Debt Assets and Liabilities Statement and Creditors List ;
- a schedule listing its creditors;
- a schedule listing pending lawsuits and administrative procedures against it;
- its accounting books and accounting-related records; and
- the amount of outstanding indebtedness held by unsecured creditors that have executed the APE and the percentage they represent in relation to all unsecured creditors.

Our assets and liabilities statement will be dated as of the cut-off date, which will be no more than 60 days prior to the APE filing date.

Approval of an APE

Our Argentine counsel have advised us that the reviewing court will approve an APE if the application for court approval complies with all the formal requirements set forth above, if the level of creditor consent has been satisfied and if the reviewing court does not find the APE to be abusive or fraudulent. However, we do not know how the reviewing court will interpret this standard or construe the statutory rules applicable to APE proceedings. See Risk Factors Risks Associated with the APE Solicitation Because the APE is a new statutory mechanism with few court cases involving these proceedings in Argentina, you may receive different treatment than we propose under the terms of the APE.

In the case of a reorganization (*concurso*), the Argentine Bankruptcy Law provides that, in the case of negotiable obligations issued in series, such as our outstanding notes, the courts will consider for the purposes of the voting procedure that the votes of all holders of a series of these negotiable obligations that support a reorganization plan will be counted as one vote in favor of the reorganization plan, and whatever amount of principal and accrued interest they hold will be added to that of other creditors also supporting the reorganization plan, while the votes of all other holders of these negotiable obligations who have not consented to the reorganization plan will be counted as one vote against, and whatever amount of principal and accrued interest they hold will be added to the amount recorded for creditors opposing the reorganization plan. Our Argentine counsel have advised us that we should expect the same principles to apply in determining support for our APE. However, three recent judicial decisions issued by three different Argentine commercial courts determined that the debt held by holders who do not attend the relevant meeting or the debt held by holders who abstain from voting in the relevant meeting will not be counted for purposes of calculating the majorities required to receive court approval of the APE. Two of these three decisions are currently being appealed. Therefore, we cannot assure you how the reviewing court will compute the majorities required by the Argentine Bankruptcy Law to approve the APE.

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The debtor must publish the filing of an APE in the official gazette in the jurisdiction in which the debtor is domiciled and the jurisdictions in which it has business operations, in an Argentine newspaper of major circulation, and in the official gazette of the reviewing court's jurisdiction for five Argentine court days.

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Following the last day of the publication of the announcement, creditors have ten Argentine court days to file their oppositions to the APE. We refer to this period as the objection period.

Creditors may contest an APE on the following grounds, among others:

- misrepresentation by the debtor of its assets or liabilities in the assets and liabilities statement filed with the reviewing court; or
- failure of the debtor to obtain the support of the requisite majorities.

The reviewing court may admit evidence if necessary in order to rule on issues raised in the objection period. This evidence is required to be submitted within the ten Argentine court day period following the end of the objection period and is required to be ruled on within the following ten Argentine court days. However, given the few judicial interpretations by Argentine courts of proceedings involving APE agreements, we cannot assure you that our APE, or any objection thereto, if and when filed, will be resolved expeditiously. We understand from our Argentine counsel that experience in reorganization (*concurso*) proceedings suggests this objection period may be extended substantially, even to a period of several months. Accordingly, you may experience significant delays in receiving the notes or cash consideration or cash interest payments as applicable to be delivered pursuant to the APE or we may be unable to consummate the APE at all.

In addition, although the Argentine Bankruptcy Law does not expressly provide so with respect to an APE, case law developed in the context of reorganization (*concurso*) proceedings suggests that the reviewing court may refuse to approve an APE if the APE fails to meet certain minimum fairness standards. Subject to applicable law, our APE will provide that creditors participating in the APE, which we refer to as participating holders, representing the Requisite Termination Majorities, may elect to terminate the APE under the following circumstances, among others:

- failure by us to file the APE on or before December 15, 2004; and
- a failure of the reviewing court to approve the APE within six months of the APE filing date, if no objections to the APE are filed with the reviewing court, or within 18 months of the APE filing date, if any objection to the APE is filed with the reviewing court.

Once the APE is granted court approval, the APE will be binding on all holders of our outstanding unsecured indebtedness affected by the restructuring proposal contained in the APE, whether or not those creditors have participated in the negotiation or execution of the APE and whether or not those creditors voted against the APE. The APE will not be binding on our commercial creditors.

The APE agreement will provide that commercial creditors will be paid in a timely manner in accordance with the terms of our commercial debt. As a result, we will presume the consent of our commercial creditors to the APE agreement.

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The APE Solicitation

Purpose of the APE Solicitation and the APE The purpose of this APE solicitation is to obtain from holders of our outstanding debt either powers of attorney authorizing the settlement agent or the commitment of holders of outstanding loans (a) to execute the APE and (b) to attend and vote affirmatively at any meeting of holders of our outstanding notes that might be required to confirm and give effect to the APE. We are proposing the APE in order to reduce the total amount of our outstanding debt to levels we estimate our operations can sustain. For purposes of the APE, all holders of our outstanding debt will constitute a single category (class).

Adjustment Based on Accrued Interest For purposes of calculating the outstanding debt to be restructured pursuant to the APE, we will increase the principal face amount of outstanding debt to be restructured by making an adjustment corresponding to a portion of the accrued but unpaid interest on all of our outstanding debt (except for our commercial obligations, as described herein) for the period from June 25, 2002 through December 31, 2003 (regardless of whether the holders of such debt have participated in the APE). The amount of the adjustment has been determined by multiplying the outstanding principal of each outstanding note or outstanding loan denominated in U.S. dollars, euro, pesos or Japanese yen (excluding accrued but unpaid interest, penalties and post-default interest rate increases) as of December 31, 2003 by a factor equal to 1.058 (1.058-1). The adjustment amount represents an amount equal to U.S. six-month LIBOR plus 3% on the aggregate principal face amount of our outstanding debt, less the aggregate amount of partial payment of past due interest we paid to holders of our outstanding debt in June 2003 for the period beginning on June 25, 2002 and ending on December 31, 2002. On the issuance date, we will make an adjustment with respect to our outstanding loans denominated in pesos based on a stabilization coefficient calculated by the Argentine Central Bank.

The principal face amount adjustment does not represent the contractual amount of accrued but unpaid interest on the aggregate principal face amount of our outstanding debt for the June 25, 2002 to December 31, 2003 period. Accordingly, the principal face amount adjustment may represent less than or more than the contractual or statutory rate of interest (and penalties and post-default interest rate increases, if applicable) on any specific series of outstanding notes or any specific outstanding loan. See [The APE Solicitation Terms of the APE Solicitation Overview Principal Face Amount Adjustment](#).

In connection with debt restructured under Option A, an amount of accrued but unpaid interest equal to the principal face adjustment will be capitalized, or added to the amount of debt to be restructured. Because the principal face amount adjustment will not be deemed to

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be capitalized for holders of outstanding debt who receive consideration under Option B or Option C and such principal face amount adjustment will be considered relinquished by operation of law on the issuance date, these holders will not receive 100% of their principal face amount plus principal face amount adjustment.

The aggregate amount of principal face adjustment with respect to our outstanding debt resulting from these calculations equals approximately the equivalent of US\$148 million.

Option A/B Cash Interest Payment on Outstanding Debt to Holders Who Elect Option A and Option B If the APE is completed in the form we have proposed, holders who elect Option A and Option B will receive, in addition to their notes, an Option A/B cash interest payment on an amount equal to the new principal face amount of their notes to be issued under Option A and Option B for the period from January 1, 2004 to the issuance date, accrued at a rate equal to 5.53% for series A notes denominated in dollars (or 4.83% for euro-, 1.93% for yen- or 3.23% for peso-denominated series A notes) and 9% for series B notes. This Option A/B cash interest payment may be more or less than the amount of interest that would have accrued on the outstanding debt during this period under the terms of the outstanding debt. We expect that this Option A/B cash interest payment, in the aggregate, will be equal to the equivalent of up to approximately US\$114 million, assuming an issuance date of October 15, 2004. We will make the Option A/B cash interest payment in the same currency as the notes issued to the holder.

Except for the capitalization of principal face adjustment relating to debt restructured under Option A and the Option A/B cash interest payment described in this section, holders of outstanding debt will not be entitled to receive any accrued interest (including penalties and post-default interest rate increases) on their outstanding debt in respect of any period ending on or before the issuance date.

Option C Cash Interest Payment If the APE is completed in the form we have proposed, holders who receive Option C cash consideration will receive, in addition to the cash consideration, a cash interest payment covering the period from January 1, 2004 to the issuance date. This Option C cash interest payment will be calculated based on the amount of interest that has accrued on the US\$663 million of available cash in Option C from January 1, 2004 until the issuance date, and will be paid at an annual rate equal to the federal funds target rate. Holders who receive cash consideration under Option C will receive this payment in equivalent U.S. dollars.

Remaining Unpaid Existing Indebtedness By granting a power of attorney contained in the letter of transmittal or, if you are a holder of outstanding loans or commissions by

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committing to sign the APE directly in the letter of transmittal, you are agreeing that receipt of the consideration to be made available pursuant to the APE satisfies all of your claims in respect of your outstanding debt, including all claims for principal, interest, post-default interest rate increases, penalties and other amounts, to the extent set forth in the APE agreement.

Selecting Among the Available Options of Consideration to be Delivered Upon Consummation of the APE

As part of duly executing a letter of transmittal, you will be required to choose among the three consideration options for your outstanding debt. You may elect to submit your outstanding debt and principal face amount adjustment under one or more options by delivering separate letters of transmittal for each portion of your debt as to which you wish to select a different option. If Option B and Option C are oversubscribed, you may be prorated into Option A as described herein.

Consideration per 1,058 principal face amount and principal face amount adjustment of outstanding debt:

For dollar- and euro-denominated outstanding debt and peso⁽¹⁾ and yen-denominated outstanding loans

Option A ⁽²⁾		Option B ⁽²⁾		Option C ⁽²⁾		Option B with 37.5% of Option C ⁽³⁾	
Series A notes	1,058	Series B Notes ⁽⁴⁾	1,000			Series B Notes	625
				Cash ⁽⁶⁾	740-850	Cash	319
Total consideration per 1,058 principal amount	1,058 ⁽⁵⁾	Total consideration per 1,058 principal amount	1,000 ⁽⁵⁾	Total consideration per 1,058 principal amount	740-850 ⁽⁵⁾	Total consideration per 1,058 principal amount	944 ⁽⁵⁾

- (1) The consideration per P\$1,000 principal face amount of peso-denominated outstanding loans will be adjusted based on the CER through the issuance date.
- (2) Holders who receive Option A or Option B will also receive the Option A/B cash interest payment, and Holders who receive Option C will also receive the Option C cash interest payment, each as described in this solicitation statement.
- (3) Assumes holders who elect to receive Option B have 37.5% of their outstanding debt and principal face amount adjustment allocated to Option C.
- (4) Holders who elect Option B will receive US\$1,000 principal amount of series B notes for each 1,058 principal face amount and principal face amount adjustment of outstanding debt in dollars, or the U.S. dollar equivalent of 1,058 principal face amount and principal face amount adjustment of outstanding debt denominated in euro, yen or pesos. Series B notes will only be denominated in U.S. dollars.
- (5) Includes principal face amount adjustment, calculated as described above under Principal Face Amount Adjustment. In connection with debt restructured under Option A, an amount of accrued but unpaid interest equal to the principal face adjustment will be capitalized, or added to the amount of debt to be restructured. Because holders of outstanding debt who elect to receive consideration under Option B or Option C will not receive 100% of their principal face amount adjustment, the principal face amount adjustment will not be deemed to be capitalized for the holders, and will be considered relinquished by operation of law on the issuance date.

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- (6) Holders who elect Option C will receive US\$740-US\$850 in dollars for each 1,058 principal face amount and principal face amount adjustment or the U.S. dollar equivalent of 1,058 principal face amount and principal face amount adjustment of outstanding debt denominated in euro, yen or pesos. Option C cash consideration will be paid in equivalent U.S. dollars only.

Modified Dutch Auction

If you elect Option C, you will be required to select a price, within the range of 740 to 850 per 1,058 principal face amount plus principal face amount adjustment at which you would be willing to retire your outstanding debt under this option. Based upon the selections of all holders who choose Option C, we will determine the lowest single purchase price that will allow us to purchase the equivalent of up to US\$825 million principal amount of outstanding debt and principal face amount adjustment (calculated based on the exchange rates as indicated under Introduction Calculation of U.S. Dollar Equivalents.) for up to US\$663 million. All outstanding debt retired under Option C will be purchased at the same purchase price regardless of whether a participating holder selected a lower price. Holders who elect (or are prorated into Option C) will receive their cash consideration in equivalent U.S. dollars. If Option C is oversubscribed, we will first accept for purchase and payment all outstanding debt from holders who elected Option C at a price below the purchase price determined based on the holders' price selections. We will then accept for purchase and payment all outstanding debt from holders who elected Option C at the purchase price on a pro rata basis, proportional to the amount of debt held by holders who requested to retire debt under Option C at the purchase price. See The APE Solicitation Terms of the APE Solicitation Option C Modified Dutch Auction.

Allocation of Outstanding Debt Under Option B to Option C if Option C is Undersubscribed

If Option C is undersubscribed, holders who elect to receive Option B will have up to 37.5% of their outstanding debt allocated to Option C. This allocation will take place prior to any proration that may be required. These holders whose debt is allocated to Option C because it is undersubscribed will be deemed to have selected 850 per 1,058 principal face amount plus principal face amount adjustment, the highest price within the Modified Dutch Auction range, as their bid with respect to their outstanding debt that has been allocated into Option C.

Purchase of Notes if Option C Remains Undersubscribed After 37.5% Allocation

If Option C remains undersubscribed after the allocation of outstanding debt under Option B to Option C, then within 45 days of the issuance date, we will apply the cash difference between the US\$663 million of cash available under Option C less the U.S. dollar amount that is finally allocated into Option C to purchase notes through Market Purchase or Optional Redemption transactions or a Note Payment (as these terms are defined in Description of the Notes Certain Definitions).

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Proration

Participation in Option B and Option C will be limited, based on the principal face amount and principal face amount adjustment of our outstanding debt that can be retired under these two options. The specified limits on Option B and Option C are as follows: up to US\$1,376 million principal face amount of our outstanding debt and principal face amount adjustment that may be retired under Option B; and up to US\$825 million principal face amount of our outstanding debt and principal face amount adjustment that may be retired under Option C.

Consequently, if holders of outstanding debt elect to retire outstanding debt under either of these two options in excess of the limit for that option, proration will be required.

In addition, if Option C is undersubscribed, holders who elect to receive Option B will have up to 37.5% of their outstanding debt allocated to Option C. This allocation will take place prior to any proration that may be required.

We will prorate as follows:

If you selected Option B and Option B is oversubscribed, we will first allocate the remaining portion of your outstanding debt into Option C until we reach the limit for Option C. Once we have reached the limit for Option C, we will allocate the remaining portion of your outstanding debt into Option A.

If you selected Option C and Option C is oversubscribed, we will allocate the oversubscribed portion of your outstanding debt into Option A.

There is no limit on the size of the participation in Option A. Please see The APE Solicitation Terms of the APE Solicitation Proration.

Exchange of Outstanding Debt to be Restructured

On the issuance date, immediately prior to the cancellation of the outstanding debt, we will instruct the settlement agent to, at the request of holders of outstanding debt who have elected Option B, exchange all or a portion of the outstanding loans or outstanding notes to be restructured. Upon the request of a participating holder of outstanding loans or outstanding notes who has elected Option B, we will instruct the settlement agent to exchange all or a portion of the holder's outstanding loans or outstanding notes to be restructured under Option B (or, in the event of allocation into Option A, under Option A) for an equal amount of outstanding notes or outstanding loans held by other holders that would otherwise be retired under Option C. In this exchange, holders of outstanding loans requesting an exchange would receive outstanding notes to be refinanced pursuant to the APE and holders of our outstanding notes requesting exchange would receive outstanding loans to be refinanced pursuant to the APE. This exchange will be subject to availability based on the

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amount of outstanding notes and outstanding loans to be retired under Option C, to proration among holders requesting such an exchange, and to timely delivery of any documentation required by Telecom relating to the exchange, including an assignment of the outstanding loan in order to effect the exchange in a form to be provided by the settlement agent.

Under this exchange of outstanding loans for outstanding notes to be retired under Option C, and this exchange of outstanding notes for outstanding loans, holders will receive the same amount of consideration (in the same currency) pursuant to the APE solicitation that they would have otherwise received in the absence of this exchange. This exchange may impact the form of consideration that consenting holders to the exchange receive pursuant to the APE, because holders of outstanding loans who select Option B and agree to the exchange may receive listed notes instead of the unlisted notes that they otherwise would have received, and holders of outstanding notes who select Option B and agree to the exchange will, to the extent the exchange is effected, receive unlisted notes instead of the listed notes that they otherwise would have received.

Expiration Date 3:00 p.m., New York City time, 4:00 p.m., Buenos Aires time, on July 21, 2004, subject to our ability to extend that time and date in our sole discretion but in any event not later than December 31, 2004, in which case the expiration date will mean the latest time and date to which the expiration date is extended. We will announce any extension of the expiration date no later than 9:00 a.m., New York City time, 10:00 a.m., Buenos Aires time, on the business day after the previously scheduled expiration date and will publish a notice of such extension as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination. See The APE Solicitation Expiration Date; Extensions; Amendments; Termination.

Issuance Date We expect to deliver the notes to be issued and cash interest payments to be paid pursuant to the APE to holders who elect Option A and Option B for a portion of the interest accrued on the outstanding debt from January 1, 2004 to the issuance date, and the cash consideration and the Option C cash interest payment to be paid to holders who elect Option C on the issuance date, which shall be as soon as practicable after receiving court approval of the APE and the other conditions to the APE are satisfied or waived but no later than 90 days from either reviewing court approval or any other deadline imposed by the reviewing court if the reviewing court decides that non-participating creditors can elect any options within a specific deadline. Interest on the notes will begin to accrue on the issuance date and will be payable on the next scheduled interest payment date. In the event that the issuance date does not occur prior to October 15, 2004, any amortization payments scheduled to become due prior to the issuance date will be paid on the issuance date. See The APE Solicitation Issuance Date.

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Revocation of Powers of Attorney	Holders of outstanding debt that elect to participate in this APE solicitation by granting a power of attorney with respect to their outstanding debt by duly executing a letter of transmittal will not have the right to revoke their powers of attorney except as described in The APE Solicitation Revocation.
Revocation of Commitments to Execute the APE	Holders of outstanding loans that elect to participate in this APE solicitation by committing to sign the APE directly with respect to their outstanding loans in the letter of transmittal will not have the right to revoke their commitment except as described in The APE Solicitation Revocation.
No Planned Meetings for Holders of Outstanding Notes	We do not plan to hold meetings for holders of our outstanding notes to vote in favor of or against the APE unless a meeting is required by the reviewing court to allow holders of outstanding notes to vote. Holders of outstanding notes who wish to vote against the APE must attend and vote at the meeting, if a meeting is held. If no meeting is held, holders of outstanding notes will not have any means by which they may vote against the APE. Holders of outstanding notes may not vote against the APE if they have submitted their outstanding notes and consented to the APE by granting a power of attorney by duly executing a letter of transmittal to the settlement agent unless the previously submitted outstanding notes, duly executed letter of transmittal and powers of attorney contained therein have been properly withdrawn as a result of an APE amendment that is materially adverse to one or more holders as discussed in The APE Solicitation Procedures for Participating in the APE Solicitation Meetings for Holders of Outstanding Notes.
Extensions; Amendments; Termination	We expressly reserve the right, in our sole discretion, subject to applicable law, at any time or from time to time, to terminate this APE solicitation prior to the expiration date, subject to the conditions set forth herein, waive any of the conditions to this APE solicitation contained in clauses (c) through (f) as set forth in The APE Solicitation Conditions to the APE Solicitation ; extend this APE solicitation, but not later than December 31, 2004, or amend this APE solicitation in respect of the outstanding debt, subject to applicable law.

Any amendment applicable to this APE solicitation will apply to all powers of attorney and commitments granted pursuant to this APE

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solicitation other than those properly withdrawn as a result of an APE amendment that is materially adverse to one or more holders. If we choose to terminate or extend the APE solicitation, waive any material condition or make any material amendment to the APE solicitation, we will publish a notice of such action as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination. See The APE Solicitation Expiration Date; Extensions; Amendments; Termination.

After the execution of the APE and before the reviewing court approval, the APE may be terminated as described in Description of the APE Termination of the APE Agreement.

Conditions to the APE Solicitation

This APE solicitation is subject to the terms and conditions set forth under The APE Solicitation Conditions to the APE Solicitation. This APE solicitation and the execution of the APE is subject to the condition that holders of our outstanding debt elect to retire at least the equivalent of US\$300 million of outstanding debt and principal face amount adjustment under Option A, which we refer to as the minimum required participation. This APE solicitation is also subject to consent to the APE by or on behalf of the requisite majorities, which we refer to as the level of creditor consent. The requisite majorities are holders representing a majority in number of the holders of our outstanding debt accounting for at least two-thirds, or any lower percentage that may be required by Argentine law, of the outstanding principal and accrued interest (determined in accordance with the contractual or applicable statutory terms of our outstanding notes and outstanding loans) on our outstanding debt. As of March 31, 2004, we had the equivalent of approximately US\$2,816 million of unconsolidated outstanding debt (including accrued but unpaid interest, penalties and post-default interest rate increases).

How to Participate if You Are a Beneficial Owner of Outstanding Notes Through a Securities Intermediary

If you are a beneficial owner whose outstanding notes are held by a broker, dealer, commercial bank, trust company or other securities intermediary and you wish to participate in this APE solicitation, you should promptly execute a letter of instruction, which we refer to as an instruction letter, and deliver it to that securities intermediary and/or follow that securities intermediary's internal procedures in order to instruct that securities intermediary to submit outstanding notes and grant a power of attorney to execute the APE on your behalf. **Instruction letters should be delivered to your securities intermediary well in advance of the expiration date because your securities intermediary will be required to deliver a signed letter of transmittal to the settlement agent and have that letter of transmittal notarized and if executed outside of Argentina, either apostilled, in accordance with The Hague Convention, or consularized by an Argentine Consulate, prior to the expiration date in order to validly grant a power of attorney with respect to**

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your outstanding notes. We will not be responsible if you or your securities intermediary fails to meet any delivery deadlines. See The APE Solicitation Procedures for Participating in the APE Solicitation How to Participate if You Hold Outstanding Notes.

How to Participate if You Hold Outstanding Notes Through Euroclear or Clearstream, Luxembourg or if You Are a DTC Participant If your outstanding notes are held through Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, or Clearstream Banking, *société anonyme*, or Clearstream, Luxembourg, you must comply with the procedures established by Euroclear or Clearstream, Luxembourg, as applicable, to participate in this APE solicitation. Euroclear and Clearstream, Luxembourg intend to collect from their direct participants (a) instructions to

submit outstanding notes held by them on behalf of their direct participants in this APE solicitation and

block any transfer of outstanding notes so submitted until the completion of the APE process and

(b) irrevocable authorizations to disclose the names of the direct participants and information about the foregoing instructions. Upon the receipt of these instructions, Euroclear and Clearstream, Luxembourg will advise the settlement agent of the principal amount of outstanding notes for which powers of attorney are being granted and other required information. Euroclear and Clearstream, Luxembourg may impose additional deadlines in order to properly process these instructions. As a part of submitting through Euroclear or Clearstream, Luxembourg, you are required to become aware of any these deadlines.

If you hold outstanding notes as a participant in the Depository Trust Company, or DTC system, the settlement agent and DTC have confirmed that this APE solicitation is eligible for DTC's Automated Tender Offer Program, or ATOP. Accordingly, DTC participants must electronically transmit their acceptance of this APE solicitation in accordance with DTC's ATOP procedures. DTC will then send a computer-generated message, or an Agent's Message, to the settlement agent. Notes submitted in accordance with DTC's ATOP procedures will be blocked for transfer until the completion of the APE process. See The APE Solicitation Procedures for Participating in the APE Solicitation.

In addition, if you hold outstanding notes through Euroclear or Clearstream, Luxembourg or as a DTC Participant, you must sign a letter of transmittal, have that letter of transmittal notarized and if executed outside of Argentina, either apostilled, in accordance with The Hague Convention, or consularized by an Argentine Consulate, and deliver the letter of transmittal to the

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settlement agent prior to the expiration date. If you fail to deliver the letter of transmittal, you will not be eligible to participate in this APE solicitation.

Holders of outstanding notes in Luxembourg may contact the Luxembourg agent for assistance in completing these procedures.

Submission of Outstanding Notes Providing instructions to submit outstanding notes and granting a power of attorney will affect a beneficial owner's right to sell or transfer its outstanding notes. Outstanding notes of participating holders will be blocked in the account held at Euroclear, Clearstream, Luxembourg or DTC. As a result, holders of outstanding notes will not be able to transfer their outstanding notes once submitted unless the APE is terminated, in which case your right to trade your outstanding notes will be restored promptly after the termination date. On the termination date, Telecom will instruct the settlement agent to authorize DTC, Euroclear and Clearstream, Luxembourg to unblock the outstanding notes for trading.

How to Participate if You Are a Registered Holder of Outstanding Loans If you are a registered holder of outstanding loans, you must deliver a duly executed letter of transmittal, notarized and if executed outside of Argentina, either apostilled, in accordance with The Hague Convention, or consularized by an Argentine consulate, relating to your outstanding loans to the settlement agent.

If you are a registered holder of outstanding loans and agree to participate in this APE solicitation, we will require that you indicate in your duly executed letter of transmittal that you are granting the settlement agent a power of attorney to execute the APE on your behalf or you are committing to sign the APE directly.

Settlement and Delivery of Listed Notes The listed notes will be accepted for clearance by Euroclear, Clearstream, Luxembourg and DTC. Beneficial interests in the listed notes will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by Euroclear, Clearstream, Luxembourg and (in the case of the notes issued in the APE to holders of Telecom's currently outstanding Series C notes only) DTC. See Description of the Notes Form of Notes; Book-Entry System.

Investors who are not eligible to hold securities through DTC may be required to obtain definitive notes. If you require a definitive note you must contact the settlement agent immediately. See Description of the Notes Form of Notes; Book-Entry System Issuance of Definitive Notes.

Delivery of Unlisted Notes The unlisted notes we issue to holders of outstanding loans following court approval of the APE will be delivered to the address that you specify in the letter of transmittal. The unlisted notes will be delivered

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in certificated form. See The APE Solicitation Procedures for Participating in the APE Delivery of Unlisted Notes, Cash Consideration and Cash Interest Payments for Outstanding Loans.

Consequences to Non-Participating Holders of Outstanding Debt if Court Approval is Granted If court approval of the APE is granted, non-participating holders, or holders of our outstanding debt that have not granted a power of attorney in favor of the Settlement Agent or have not signed the APE directly, with respect to any portion of their outstanding debt, will have such portion of their outstanding debt allocated into Option A, or, if the reviewing court decides to allocate consideration in a different manner, will receive the consideration determined by the reviewing court at the time the reviewing court approves the APE, subject only to the overall limit of Option B and Option C.

Non-participating holders will be crammed down in accordance with the terms of the court approval. As part of the cramdown, the reviewing court may require that non-participating holders receive notes and/or cash consideration in a manner different than as contemplated in our APE. See Risk Factors Risks Associated with the APE Solicitation and Description of the APE Treatment of Holders of Outstanding Debt Who Do Not Participate in the APE Solicitation Cramdown of Non-Participating Holders Upon Court Approval.

By providing your consent to the APE you are agreeing to receive your consideration in accordance with any allocation and proration of the oversubscribed options or to otherwise receive your consideration that results from the reviewing court's decision to allocate the consideration offered to non-participating holders in a different manner, as we have contemplated in the APE.

Taxation

A United States holder who receives only cash for outstanding notes of a particular series pursuant to the APE generally will recognize gain or loss, if any, for U.S. federal income tax purposes. The tax treatment of a United States holder who receives both cash and listed notes for outstanding notes of a particular series will depend on whether the submission of outstanding notes and receipt of cash and listed notes pursuant to the APE is treated as a tax-free recapitalization.

The listed notes should be subject to the U.S. Treasury regulations for debt instruments issued with original issue discount. Their treatment under these rules is not clear, however, in particular because of potential alternative payment schedules.

For a discussion of the U.S. federal income tax consequences for United States holders of

the submission of outstanding notes and receipt of (a) cash or (b) cash and listed notes pursuant to the APE, including pursuant to a cramdown, and

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the ownership and disposition of listed notes received pursuant to the APE.

Holders of outstanding loans and holders of notes who elect to receive unlisted notes pursuant to the APE are urged to consult their tax advisers with regard to the application of U.S. federal income tax laws to their particular situation as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

For a discussion of Argentine tax considerations for Argentine holders of outstanding debt that exchange their outstanding debt for the notes and cash consideration and receive cash interest payments, see Certain Argentine Tax Considerations.

For a discussion of Luxembourg tax considerations, see Certain Luxembourg Tax Considerations.

Information Agent	GSC Proxitalia SpA is the global information agent for this APE solicitation in Europe. The address and telephone number of the information agent are set forth on the back cover page of this solicitation statement.
Luxembourg Agent	BNP Paribas Securities Services, Luxembourg Branch will act as Luxembourg agent with respect to the APE solicitation.
Solicitation Agents	Morgan Stanley & Co. Incorporated and its affiliates are acting as solicitation agents for this APE solicitation. MBA Banco de Inversiones S.A. will act as solicitation agent in Argentina only. The addresses and telephone numbers of the solicitation agents are set forth on the back cover page of this solicitation statement.
Settlement Agent	The Bank of New York is the settlement agent for this APE solicitation. The address and telephone number of the settlement agent are set forth on the back cover page of this solicitation statement.
Brokerage Commissions	You are not required to pay any brokerage commissions to the information agent, the settlement agent or the solicitation agents.
Processing Fee	A processing fee will be paid by Telecom to certain banks and financial institutions for processing consents of outstanding notes accepted where the aggregate principal amount of outstanding notes delivered by the holder of the outstanding note in accordance with the APE is less than or equal to the equivalent of US\$100,000 in the relevant currency (calculated based on the exchange rates as indicated under Introduction Calculation of U.S. Dollar Equivalents). The processing fee in respect of outstanding notes properly delivered and accepted by us will be paid to the bank or financial institution (each of whom we refer to as a processor), if any, designated by the beneficial owner of those outstanding notes and will be equal to

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0.50% of the aggregate principal amount of the outstanding notes in respect of which that designation is made. Notwithstanding the above, no processing fee will exceed the equivalent of US\$500,000 (in the relevant currency) for any bank or financial institution and its affiliates, for processing the submissions of outstanding notes. No processing fee will be available to banks or financial institutions for processing or assisting in submissions of outstanding loans.

Beneficial owners will be able to designate processors in the accompanying instruction letter. In order for any processor to receive the processing fee, the processing fee form contained in the letter of transmittal must be completed and sent to the settlement agent at the address set forth on the back cover of the letter of transmittal prior to the expiration date. Processors must follow the directions in the Letter of Transmittal in order to be eligible for the processing fee.

Further Information

Any questions or requests for assistance concerning this APE solicitation, including with respect to notarization and the apostille or consularization for the letter of transmittal, may be directed to the solicitation agents, the information agent or the Luxembourg agent at their respective addresses and telephone numbers set forth on the back cover page of this solicitation statement. Additional copies of this solicitation statement and the letter of transmittal may be obtained by contacting either the information agent or the Luxembourg agent at their respective addresses and telephone numbers set forth on the back cover page of this solicitation statement.

Risk Factors and Important Background Information

You should review carefully the information included under Operating and Financial Review and Prospects, Risk Factors and Background and Reasons for the APE Solicitation. You should understand that an investment in the notes involves a high degree of risk, including the significant possibility of loss of your entire investment.

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The Notes

The Notes

In connection with the APE, Telecom will issue new notes to holders of its outstanding debt. Holders of outstanding notes will receive notes which will initially be represented by global certificates in fully registered form. We will apply to have such notes listed on the Buenos Aires Stock Exchange or the Mercado Abierto Electrónico S.A. and, with respect to notes denominated in euro, on the Luxembourg Stock Exchange (listed notes). Holders of outstanding loans will receive a separate series of notes in registered certificated form having the same terms as the relevant listed notes, but which will not be listed on any securities exchange (unlisted notes).

We reserve the right, while not obligated, to allow holders of our outstanding notes to elect to receive unlisted notes and to allow holders of our outstanding loans to elect to receive listed notes if, in our sole judgment (taking into consideration the tax status of the holder), it will not trigger unfavorable tax treatment for us. We will publish a notice of any such decision as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination.

We refer to the step-up notes due 2014 issued by Telecom (whether listed notes or unlisted notes) as the Series A Notes. We refer to the step-up notes due 2011 issued by Telecom (whether listed notes or unlisted notes) as Series B Notes. We will issue up to two series of listed notes (Step-Up listed notes A and Step-Up listed notes B) and up to two series of unlisted notes (Step-Up unlisted notes A and Step-Up unlisted notes B), and each is referred to as a series of notes.

Series A notes may be issued in one or more tranches. Series A listed notes may be denominated in dollars or euro, and Series A unlisted notes may be denominated in dollars, euro, pesos or yen. Holders of outstanding debt receiving Series A notes will receive notes denominated in the same currency as the outstanding debt held by them or, at the election of the holder, in U.S. dollars. Series B notes will be issued in dollars. Payments of principal of, and interest on, the notes (including Additional Amounts) will be made in the currency in which such notes are denominated or, if such currency is no longer in circulation, in such funds as may then be customary for the settlement of international transactions in that currency.

Capitalized terms that are used but not defined in this section have the meanings given to them in the Description of the Notes.

Issuer Telecom Argentina S.A.

Final Maturity and Average Life:

Series A Notes	October 15, 2014 (average life of 6 years)
Series B Notes	October 15, 2011 (average life of 4 years)

Interest

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Interest will be payable semiannually in arrears on each Interest Payment Date to holders of record of outstanding notes on the Record Date immediately preceding such Interest Payment Date. Interest on overdue principal and interest will accrue, to the extent lawful, at the rate of 2% per annum plus the rate otherwise applicable for such day. Rates of interest for each series of notes are set forth below. See Description of the Notes Basic Terms of the Notes for additional information with respect to interest.

The interest rates payable on the notes denominated in euro (Euro Notes) and the notes denominated in Japanese yen (Yen Notes) represent market equivalent rates payable on the notes denominated in

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dollars (Dollar Notes) with the same maturity and amortization schedule based on published mid-market swap rates. The interest rates payable on notes denominated in pesos (Peso Notes) beginning on October 15, 2004 represent the difference between the rates payable on the same series of Dollar Notes beginning on October 15, 2004 and dollar swap rates having an average life equal to the relevant note. These amounts were calculated as of May 3, 2004. Payments on the Peso Notes will be adjusted based on the CER.

Series A Notes

The Series A Notes will provide that interest on the outstanding principal amount will accrue at a per annum fixed rate equal to the following Applicable Fixed Rate:

<u>Date</u>	<u>Denomination</u>			
	<u>Dollar Notes</u>	<u>Euro Notes</u>	<u>Peso Notes</u>	<u>Yen Notes</u>
Issuance Date through October 15, 2008	5.53%	4.83%	3.23%	1.93%
October 16, 2008 through October 15, 2014	8.00%	6.89 %	3.42%	3.69%

Series B Notes

The Series B Notes will provide that interest on the outstanding principal amount will accrue at a per annum fixed rate equal to the following Applicable Fixed Rate:

<u>Date</u>	<u>Dollar Notes</u>
Issuance Date through October 15, 2005	9.00%
October 16, 2005 through October 15, 2008	10.00%
October 16, 2008 through maturity	11.00%

Scheduled Redemption

Principal on each series of notes will be due and payable in semi-annual installments according to the respective amortization schedule (adjusted to take into account any prepayments or repurchases), together with accrued and unpaid interest, if any, to the redemption date.

Principal will begin to amortize on the Series A Notes commencing on October 15, 2004.

Principal will begin to amortize on the Series B Notes commencing on October 15, 2004.

In the event that the issuance date does not occur prior to October 15, 2004, any amortization payments scheduled to become due prior to the issuance date will be paid on the issuance date. For details of the amortization schedules of each series of notes, see Description of the Notes Basic Terms of the Notes.

Ranking

The notes will constitute direct, unconditional and unsubordinated obligations of Telecom ranking at all times at least *pari passu* in priority of payment, in right of security and in all other respects among themselves and with all other unsecured indebtedness of Telecom now or hereafter outstanding, except to the extent that any

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other indebtedness may be preferred by mandatory provisions of applicable law. The notes will constitute *obligaciones negociables* under Argentine law.

Cash Sweep

Subject to the authorization of the Central Bank, to the extent required by applicable law, if on the last day of any six month period beginning on July 1 or January 1 (the calculation date), which period ends after the issuance date (the excess cash period), there is any excess cash, then, no later than the next April 15 or October 15, respectively (each, a mandatory prepayment date) Telecom will apply such excess cash as follows:

if Telecom's cash balance as of the calculation date is less than US\$50 million (or its equivalent in other currencies), Telecom will apply up to 30% of the excess cash for such six month period to increase the cash balance as of such calculation date up to (but not exceeding) US\$50 million (or its equivalent in other currencies);

at Telecom's election, up to 29% of the remaining excess cash (reserved excess cash) shall be deposited in the reserve account on such mandatory prepayment date; and

any remaining excess cash, plus amounts being released from the reserve account, shall be applied to purchase or prepay the notes not later than the mandatory prepayment date;

provided, however, that if at any time during such excess cash period, Telecom makes any distribution payment, the aggregate amount of the excess cash for such excess cash period applied to prepay the notes (excluding any amounts in respect of accrued interest or Additional Amounts) shall be at least two and a half times such distribution payment.

Telecom will calculate the amount of excess cash in pesos in accordance with Argentine GAAP. Excess cash is defined under Description of the Notes Certain Definitions. The calculations of cash balance and excess cash exclude Telecom Personal and its subsidiaries.

Redemption or Prepayment upon Completion of the APE The notes are subject to redemption or prepayment in part within 45 days after the issuance date as set forth in Description of the Notes Repurchase.

Reserve Account The indenture will provide that Telecom will establish one or more segregated bank and securities accounts for the purpose of satisfying its obligations under the notes (collectively, the reserve account), and to hold certain funds pending their application by Telecom to certain permitted uses.

The deposit of the reserved excess cash generated in any excess cash period may be used by Telecom during the six-month period

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following the deposit of such funds for purposes of making certain distributions or for making mandatory investments, and 50% of such funds may be withdrawn by Telecom for purposes of making capital expenditures (including capital expenditures in excess of permitted capital expenditures).

Upon the expiration of the time period for use of such funds by Telecom, such funds shall be applied as set forth under Description of the Notes Mandatory Prepayment with Excess Cash. See Description of the Notes Reserve Account.

Additional Amounts

All payments by Telecom in respect of the notes will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of Argentina or any political subdivision or authority thereof or therein having power to tax, unless Telecom is compelled by law to deduct or withhold such taxes, duties, assessments or other governmental charges. In such event, Telecom will pay such additional amounts, or Additional Amounts, subject to certain conditions as may be necessary to ensure that the net amounts paid by Telecom after such withholding or deduction shall equal the respective amounts of principal and interest that would have been payable by Telecom in respect of the notes in the absence of such withholding or deduction. If the holders of notes do not timely submit all or part of the information, documents or evidence that may be required by Telecom pursuant to applicable law, statute, treaty or regulation of Argentina or any written administrative instruction of the AFIP, Telecom will not pay any Additional Amounts and will withhold or deduct the maximum amounts as may be required by applicable law. In addition, with respect to the unlisted notes, Telecom will not be required to pay Additional Amounts in excess of the amount of deduction or withholding that would be imposed on a person under Section 93(c)(1) of the Argentine Income Tax Law (currently a maximum of 17.7163% of the relevant payment). See Description of the Notes Taxation and Description of the Notes Payments and Paying Agencies Payments of Unlisted Notes.

Tax Redemption

Notes of any series (or any tranche thereof) may be redeemed at the option of Telecom, as a whole, but not in part, at any time, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption and Additional Amounts, if any, if Telecom determines and certifies to the Trustee that:

- as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Argentina or any political subdivision or taxing authority thereof or therein affecting taxation, or any change in the official position regarding the application or interpretation of such laws, regulations or rulings, which change, amendment, application or

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interpretation becomes effective after the issuance date, Telecom pays or would become obligated to pay Additional Amounts in respect of the listed notes pursuant to the terms to thereof or Additional Amount in excess of the amounts Telecom is obligated to pay pursuant to the terms of the unlisted notes; and

- such obligation cannot be avoided by Telecom taking reasonable measures available.

See Description of the Notes Redemption for Taxation Reasons.

Optional Redemption or Prepayment

The notes may be redeemed at the option of Telecom, without payment of any premium or penalty, in whole or in part, after the issuance date and prior to the maturity date specified in the terms of the notes at the redemption price equal to 100% of the outstanding principal amount thereof (adjusted to take into account any prepayments or repurchases), together with accrued interest, if any, to the date fixed for redemption and any Additional Amounts. See Description of the Notes Redemption at Telecom's Option.

The notes also may be prepaid in direct order of maturity at the option of Telecom through Note Payments. See Description of the Notes Repurchase.

Restrictive Covenants

The Indenture governing the notes will contain certain covenants relating to, among other things, limitations on the ability of Telecom and, in certain cases, its restricted subsidiaries, to:

incur liens;

incur indebtedness;

sell assets;

enter into sale and leaseback transactions;

engage in transactions with our shareholders and affiliates;

make capital expenditures;

make restricted payments (including loans and investments);

impose payment restrictions affecting restricted subsidiaries;

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issue equity interests of Telecom Personal resulting in loss of control of Telecom Personal;

apply dividends paid by Telecom Personal;

engage in other lines of business; or

engage in certain mergers.

Notwithstanding the foregoing, Telecom's obligations to comply with certain covenants described above (collectively, the Extinguished Covenants) will not apply at any time that Telecom's long-term debt is rated Investment Grade by two nationally recognized statistical rating organizations.

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See Description of the Notes Certain Covenants of Telecom.

Events of Default	The indenture governing the notes provides for certain events that constitute an event of default. For the consequences of an event of default, including acceleration of the principal of the notes, see Description of the Notes Events of Default.
Regulatory Approvals and Listing	We will seek to have the public offering of the listed notes in Argentina authorized by the CNV. We will apply to have the listed notes listed on the Buenos Aires Stock Exchange or the Mercado Abierto Electrónico S.A. and, with respect to the listed notes denominated in euro, on the Luxembourg Stock Exchange.
Trustee of the Notes	The Bank of New York.
Form and Denomination of the Notes:	
Form of Notes Issued to Holders	Holders of our outstanding notes will receive listed notes and holders of our outstanding loans will receive unlisted notes.
Listed Notes	The listed notes will be issued in registered form, without interest coupons, in denominations of US\$1.00 or 1.00. These notes initially will be evidenced by one or more global notes and will be deposited with or on behalf of one or more depositories to include DTC and Euroclear Bank, as operator of Euroclear and/or Clearstream, Luxembourg, and will be registered in the name of such depository or its nominee.
Unlisted Notes	The unlisted notes will be issued in registered, certificated (<i>i.e.</i> , non-global) form to holders of outstanding loans or commissions, without interest coupons, in denominations equal to the principal amount, together with principal face amount adjustment, of the relevant holders outstanding loans or commissions being restructured.
Governing Law	New York; <i>provided, however</i> , that all matters relating to the due authorization, execution, issuance and delivery of the notes, the capacity of Telecom, and matters relating to the legal requirements necessary in order for the securities to qualify as negotiable obligations under Argentine law, shall be governed by the Negotiable Obligations Law and other applicable Argentine laws and regulations.
Exchange for New Loans	
Exchange of Notes for New Loans.	Within 60 consecutive days after the issuance date, we will permit holders of our notes to receive new loans in exchange for all, but not a portion, of their notes, <i>provided</i> that such

holders provide us with satisfactory documentation (including an opinion of counsel) evidencing that under the laws of jurisdiction of organization of such holder, or under the by-laws, articles of incorporation or any other organizational documents of such holder, holding or beneficially owning notes of Telecom would not be permitted, or would violate such laws or organizational documents.

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At the request of one or more participating holders who receive notes, we will allow these holders to elect to receive new loans within 60 consecutive days after the issuance date, provided that, in our reasonable judgment (taking into consideration the tax status of the holder), this will not trigger unfavorable tax consequences for us. We will only accept this request from participating holders that selected this option in their letter of transmittal or election form in connection with their commitment to sign the APE directly. See Description of the Notes Exchange of Notes for New Loans.

Transfer Restrictions

Notes Issued to Non-U.S.

Holders.

The notes being issued to non-U.S. holders will be issued in offshore transactions in reliance upon Regulation S of the Securities Act. Accordingly, the notes issued to non-U.S. holders will be represented by a Regulation S Note and for a period of 40 days following the issuance date transfers thereof may not be made to any U.S. person or for the account or benefit of a U.S. person except in a transaction not subject to the registration requirements of the Securities Act. See Transfer Restrictions and Jurisdictional Notices.

Unlisted Notes

Registration of transfer of unlisted notes will be made in the amount equal to the lesser of (i) US\$5 million, 5 million, P\$5 million or ¥500 million and integral multiples of US\$1.00, 1.00, P\$1.00 or ¥100, in excess thereof, as applicable or (ii) the same denomination as the notes held by the holder.

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RISK FACTORS

You should carefully consider the risks described below, in addition to the other information contained in this solicitation statement. We also may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may impair our business. In general, you take more risk when you invest in the securities of issuers in emerging markets such as Argentina than when you invest in the securities of issuers in the United States and other developed markets.

Risks Associated with the APE Solicitation

If the restructuring is not consummated, there is a significant likelihood that we will pursue the pesification of our foreign-currency denominated debt, and will have to commence reorganization proceedings or face bankruptcy proceedings.

Except for partial payments of accrued but unpaid interest of the equivalent of US\$96 million (excluding withholding tax) made by Telecom, US\$13 million (excluding withholding tax) made by Telecom Personal and US\$0.04 million (excluding withholding tax) made by Publicom S.A. (a 99.99% owned subsidiary), which we refer to as Publicom, in June 2003, we have not made principal or interest payments to our financial creditors since the first half of 2002. See Operating and Financial Review and Prospects Ongoing Restructuring Efforts Repurchase and Cancellation of Outstanding Indebtedness. As of December 31, 2003, the aggregate principal face amount of our unconsolidated outstanding debt (which excludes accrued but unpaid interest, penalties and post-default interest rate increases) was the equivalent of US\$2,553 million. As of December 31, 2003, the aggregate amount of total unconsolidated outstanding debt amounted to approximately the equivalent of US\$2,801 million (including accrued but unpaid interest, penalties and post-default interest rate increases).

A substantial portion of our outstanding debt is denominated in foreign currencies and is governed by foreign law. Notwithstanding the economic crisis in Argentina and subsequent devaluation and pesification, Telecom has recorded its outstanding debt at their respective original foreign currencies in the expectation that the debt restructuring would be completed successfully. If a restructuring plan pursuant to the APE is not completed, our management will analyze different courses of action in order to preserve the continuity of Telecom's operations. As discussed in Note 12 to Telecom's consolidated financial statements as of and for the year ended December 31, 2003, such actions may include pursuing legal arguments to support the pesification of foreign-currency denominated debt governed by foreign law. In this event, Telecom would seek to treat the foreign-currency denominated debt of Telecom and its subsidiaries as having been pesified at a rate of P\$1 to US\$1 or its equivalent in other foreign currencies.

Our cash flow is currently insufficient to service our existing debt. Unless holders of the requisite majorities of outstanding debt vote in favor of the APE solicitation, there is a significant likelihood that we will have to commence reorganization, or *concurso*, proceedings under Argentine Bankruptcy Law or one of our creditors may force us into bankruptcy proceedings, or *quiebra*.

We have been advised by our Argentine counsel that in order to reorganize our outstanding debt under a reorganization (*concurso*), we would need to obtain the approval of the majority of our unsecured creditors representing two-thirds of our liabilities filed in the *concurso* proceedings and admitted by the Argentine court. During the period of the *concurso*, the holders of our outstanding debt should expect the following:

- We will continue managing our business, subject to control and supervision by a bankruptcy trustee (*síndico*) and a committee of creditors. In addition, certain transactions will be subject to court approval (which approval would be subject to input from, but would

not be bound by, the opinion of the committee of creditors).

- All of our obligations will become due and payable as provided for by applicable laws.
- Existing judicial claims from creditors, including trade creditors, will be considered by the court and any proceedings relating to these claims will be stayed. Holders of our outstanding debt therefore may be

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unable to control the process and their interests may be given less weight by the reviewing court when considered in relation to the interests of all of our creditors, including our commercial creditors. In our APE, by contrast, commercial creditors will not have their claims accelerated and will continue to be paid on customary terms.

- The claims of holders of our outstanding debt will be restructured on terms that cannot be predicted at this time, but they could be more or less favorable than the terms being offered pursuant to the APE.
- For purposes of calculating the requisite majorities and the relative positions of the creditors, restructured claims denominated in a currency other than pesos will be converted into pesos at the exchange rate as of the date of the bankruptcy trustee's filing of its report discussing each proof of claim.
- Reorganization (*concurso*) proceedings are likely to take a longer period of time than proceedings involving APE agreements and holders may therefore have to wait for an extended period of time before the *concurso* proceedings are completed. During this period, Telecom could lose significant value.
- Accrual of interest on our unsecured debts will be suspended in the reorganization (*concurso*).
- Our assets would be protected against claims by our creditors, and the protection would include, but would not be limited to, a prohibition against attempts to attach or liquidate our assets.
- No payments of principal or interest may be made by us to our creditors.
- Holders of our indebtedness will lose any rights of set-off against us that they had prior to the reorganization (*concurso*) unless the debt owed to holders was already due and payable prior to the date of filing of the reorganization (*concurso*).
- If the reorganization (*concurso*) fails, holders of our indebtedness will be left with a claim in a bankruptcy (*quiebra*) and may force us into *quiebra*.

We have been advised by our Argentine counsel that if we are forced into bankruptcy proceedings (*quiebra*) holders of our outstanding debt should expect the following:

- A court-appointed trustee will manage our business under the supervision of the Argentine court which will be subject to input from, but will not be bound by, the opinion of a committee of our creditors. In this respect, if the court considers that the interruption of the provision of an essential public service may cause severe damage to our customers, the court may authorize us to continue providing this public service.
- All of our obligations will become due and payable immediately.
- Existing judicial claims from creditors, including commercial creditors, will be considered by the reviewing court and any proceedings relating to these claims at the time of the bankruptcy (*quiebra*) will be stayed. Holders of our outstanding debt therefore may not be able to control the process, and their interests shall be treated in accordance with Argentine Bankruptcy Law, taking into account the interests of all creditors as a whole. In our APE, by contrast, commercial creditors will not have their claims accelerated and will continue to be paid on customary terms.

- Holders of our outstanding debt may not exercise any set-off rights with respect to debt we owed to them prior to the bankruptcy (*quiebra*) unless the debt we owed to holders was already due and payable prior to the date of filing the bankruptcy (*quiebra*).
- The bankruptcy (*quiebra*) proceedings may continue for a continued period of time and during this period we could lose significant value.

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- Under the Argentine court's supervision, the trustee will identify all of our assets and liabilities, liquidate our assets (for which a specific procedure may apply under Argentine law according to the terms of our license to provide telecommunications services) and distribute the proceeds from this liquidation among all our creditors in the preferential order set forth under Argentine Bankruptcy Law.
- Foreign currency-denominated claims will be mandatorily converted into pesos at the exchange rate in effect on the date on which the bankruptcy is declared or upon the maturity of the claims, if maturity occurred before the bankruptcy was declared.
- Interest on our unsecured debts will cease to accrue.
- Our assets would be protected against claims by our creditors, and the protection would include, but would not be limited to, a prohibition against attempts to attach or liquidate our assets.
- Holders of our indebtedness will lose any rights of set off against us that they had prior to the bankruptcy (*quiebra*) unless the debt owed to holders was already due and payable prior to the date of filing of bankruptcy (*quiebra*).
- If we become subject to bankruptcy proceedings, the Argentine government has the power to revoke our and Telecom Personal's licenses to provide telecommunications services, including fixed-line telephony and cellular services.
- If our license to provide fixed-line telephony services is revoked, our controlling shareholder may be forced to transfer its shares and capital contributions in trust to the relevant regulatory entity, who will sell these shares and capital contributions in an auction. If this occurs, the proceeds of the sale minus fees, expenses, taxes and/or penalties will be delivered to our controlling shareholder. Once the shares and the capital contributions have been awarded to a new entity in the auction, a new license will be issued. During this period of time the regulatory entity may appoint one or more operators to temporarily provide the services formerly provided by us. Any of these operators will be paid out of the proceeds of the sale of the shares.

In addition, the processes of reorganization (*concurso*) and bankruptcy (*quiebra*) proceedings is subject to considerable uncertainty because they will be governed by a statute that was amended in 2002, and substantial aspects of the amended statute have not yet been applied or interpreted by the courts. Consequently, the actual outcome might be less favorable or more favorable for creditors than the consequences described in this document in ways we cannot foresee.

As explained below under "Risks Associated with Telecom and Its Operations" Telecom is involved in various litigation proceedings which could result in unfavorable decisions and financial penalties for Telecom, we are currently subject to summary attachment proceedings, or *juicios ejecutivos*, and additional claims of this nature may be filed against us from time to time by persons alleging to be holders of our outstanding notes.

If you fail to participate in this APE solicitation and the APE is approved by the reviewing court, you will not be able to select the consideration you will receive.

If you do not consent to or participate in the APE and the APE is approved by the reviewing court, your outstanding debt will be cancelled in the APE and you will be forced to receive the new consideration offered in the APE. Although participating creditors are entitled to select the type of consideration they would like to receive by selecting Option A, or (subject to proration) Option B, or Option C, non-participating creditors will not have a right to elect among the options and will be forced to accept the new consideration allocated to them. We have structured the

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APE so that if the APE is completed, non-participating creditors will be deemed to have elected Option A or, if the reviewing court decides to allocate consideration in a different manner, to receive the consideration determined by the reviewing court at the time the reviewing court approves the APE, subject only to the overall limit of Option B and Option C. As a result, non-participating holders may receive consideration that is significantly different than the consideration that they would have chosen had they participated in the APE.

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Because the APE is a new statutory mechanism with few court cases involving these proceedings in Argentina, you may receive different treatment than we propose under the terms of the APE.

The new rules and regulations applicable to APE proceedings have not been fully tested to date and it is possible that the Argentine courts may construe the statutory rules applicable to APE proceedings in a manner different than we do. As a consequence, it is not possible to assess the extent to which the APE will be reviewed by the court or to definitively predict how several issues, including the treatment of non-participating holders and/or commercial creditors and the calculation of the requisite majorities, will be resolved. See We may be forced to seek the consent to the APE from our commercial creditors which will delay the completion of the APE, The reviewing court to which we submit our APE may not consider the adequacy or fairness of the APE, and The Argentine Bankruptcy Law does not specify how the requisite majorities should be calculated for purposes of the court approval of the APE. By agreeing to participate in the APE you are agreeing to be bound by the decisions of the reviewing court. See The APE Solicitation and Description of the APE Treatment of Holders of Outstanding Debt Who do not Participate in the APE Solicitation. An unexpected decision by the reviewing court regarding any of the preceding issues or any other matter that might arise that is not expressly contemplated in our restructuring plan or in the Argentine Bankruptcy Law may result in a delay in our implementation of our restructuring plan or may cause you to receive consideration in the APE that is different than what you selected. We cannot assure you that these and other issues will be resolved in a manner favorable to your interests.

Even if the APE solicitation is successful and the APE is executed and filed with the reviewing court, the reviewing court may decide not to grant court approval based on, among other things, objections filed with the reviewing court by our creditors and our APE may never be consummated.

Even if the APE solicitation is successful, the APE must be granted court approval in order for our restructuring to be given effect. The reviewing court may deny court approval based on, among other things, objections filed by our creditors. Under the Argentine Bankruptcy Law, holders of our outstanding debt will have the opportunity to contest court approval of the APE during the opposition period on the grounds that among other things, we have misrepresented our assets or liabilities in the assets and liabilities statement filed with the reviewing court or failed to obtain the support of the requisite majorities. Although not expressly provided for by Argentine Bankruptcy Law with respect to an APE, case law developed in the context of *concurso* (reorganization) proceedings suggests that the reviewing court also may refuse to approve an APE if it fails to meet certain minimum fairness standards. Further, in the event that court approval is obtained, for a period of six months from the date of the court approval, any creditor, including those that participated in the APE, may request that the APE be declared null and void on the basis that we have intentionally misrepresented our assets and liabilities in the statement filed with the APE or created illegitimate preferences in favor of certain creditors, if these facts are discovered after the court approval. Creditors deemed to have participated in such willful misrepresentation or illegality will lose their claims against us.

We do not know which, if any, objections will be raised by our creditors as to the fairness of the APE. It is possible that the reviewing court will agree with objections raised by our creditors and decide not to grant or to void court approval of the APE. If the APE is not approved or is voided, our outstanding debt will remain outstanding and there is a substantial likelihood that we would be forced to commence voluntary reorganization proceedings through a *concurso* or face liquidation in a bankruptcy proceeding, or *quiebra*.

We may be forced to seek the express consent to the APE from our commercial creditors which will delay the completion of the APE.

Under the Argentine Bankruptcy Law, once an APE is approved by the reviewing court, an APE is binding on all unsecured creditors regardless of whether or not they expressly consent to the APE. Nevertheless, we intend to limit the class of unsecured creditors eligible to participate in our APE to holders of our outstanding debt, which represents substantially all of our unsecured creditors in terms of principal amount and accrued interest of our outstanding debt. Although the Argentine Bankruptcy Law does not expressly contemplate the presumed consent of any class of creditors, we intend to presume that our commercial creditors have consented

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to the APE because the APE will not affect their legal, equitable or contractual rights. If any of our creditors raise an objection to this treatment and this objection is entertained by the reviewing court, we expect to seek the express consent of our commercial creditors to our APE. If we are required to seek the consent of our commercial creditors to the APE, the court decision on our APE will be delayed.

The reviewing court to which we submit our APE is not required to consider the adequacy or fairness of the APE.

Upon obtaining the support of the requisite majorities of outstanding debt to the APE, we will submit the APE to the reviewing court for its approval pursuant to the Argentine Bankruptcy Law. If no objections are made, we expect the reviewing court to largely focus on ensuring that the approval of the requisite majorities has been obtained with respect to the APE and other administrative matters relating to the APE. The reviewing court should not be required to, and may not, perform a substantive review of the APE or consider the minimum fairness standards. You should carefully review and consider the terms of the APE prior to making any decision with respect to the APE Solicitation because your substantive interests may not be considered by the court.

The Argentine Bankruptcy Law does not specify how the requisite majorities should be calculated for purposes of the court approval of the APE.

The APE must be approved by the requisite majorities of our creditors. This means that holders representing at least a majority in number of our outstanding debt and holders of at least two-thirds, or any lower percentage that may be required by Argentine law, of the outstanding principal and accrued but unpaid interest on our outstanding debt must approve the APE. Argentine Bankruptcy Law does not specify how the reviewing court should calculate the requisite majorities and it is unclear how this calculation will be performed. Our Argentine counsel has advised us that by analogy to the rules governing a *concurso* (reorganization), it expects that in order to calculate the majority in number of the holders of our outstanding debt, the reviewing court will likely count the holders of each series of outstanding notes as two creditors, one creditor that supports the APE and one creditor that votes against the APE (assuming at least one member of each series votes for the APE and at least one member of each series votes against the APE). It is unclear how non-participating holders (holders of our outstanding notes who do not participate in this solicitation or who vote against the APE) will be treated. Our Argentine counsel has further informed us that in determining the majority in number of our creditors, the reviewing court will likely count each distinct legal entity that holds our outstanding loans as a separate creditor. Therefore, since we have only eight series of notes outstanding and at least 41 entities holding our outstanding loans, if the majority in number of creditors is calculated as described above, the vote of the holders of outstanding loans will determine whether we receive the approval of holders representing at least a majority in number of our outstanding debt.

In addition, there is substantial uncertainty as to whether in calculating whether holders of at least two-thirds or any lower percentage that may be required by Argentine law, of the outstanding principal and accrued but unpaid interest on our outstanding debt have consented to the APE, the reviewing court will consider, in addition to the outstanding principal amount and accrued but unpaid interest of all of our outstanding loans, the outstanding principal and accrued but unpaid interest on all of our outstanding notes, or only the outstanding principal and accrued but unpaid interest of outstanding notes that have voted for or against the APE. In three recent commercial court cases, the reviewing courts held that the principal amount of debt held by holders who abstained from voting or did not attend the relevant meeting would not be counted for purposes of calculating the requisite majorities required to receive court approval of the APE. Two of these decisions are currently being appealed.

The rules that the reviewing court applies to the calculation of the requisite majorities will have a significant impact on whether the APE is consummated. As a result of the uncertainty regarding how the requisite majorities will be calculated by the reviewing court, even if we believe that we have received the consent of the requisite majorities of our creditors at the time we file the APE with the reviewing court, the reviewing court may not approve the APE based on these calculations.

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Because the APE is a new statutory mechanism we cannot be certain that the APE will be honored or respected in other jurisdictions.

To our knowledge, only one court in the United States or any other jurisdiction has considered whether a debt restructuring pursuant to an APE agreement would be recognized outside of Argentina. At least one Argentine *concurso* (reorganization) proceeding has been held to be enforceable in the United States. Accordingly, while we believe an APE may be similarly enforceable, we cannot assure you of this result, particularly since while the APE procedure was established pursuant to the Argentine Bankruptcy Law, a restructuring pursuant to an APE occurs outside of actual bankruptcy, with less involvement by the Argentine courts than in other judicial reorganization proceedings. We may, if we deem it to be necessary, file a petition in the United States pursuant to Section 304 of the United States Bankruptcy Code, requesting that the endorsement of the APE be recognized under United States law and requesting other relief as we may consider appropriate in the circumstances. However, because the APE procedure is a new procedure, we cannot assure you that any relief would be forthcoming pursuant to those proceedings if instituted. If these proceedings are instituted and the APE is not recognized by the U.S. court and the courts of other jurisdictions in which creditors seek to enforce our debt obligations, we may not be able to fully implement the terms of our restructuring and may become subject to significant litigation.

It is possible that our restructuring may not be completed on the schedule currently anticipated and that you may experience significant delays in receiving your consideration.

Even if the APE solicitation is completed, it may not be completed on the schedule described in this solicitation statement. The filing of the APE may be delayed due to our failure to meet the minimum required participation in Option A or the level of creditor consent by the expiration date. Further, although Argentine Bankruptcy Law has provided certain time periods for handling a proceeding involving an APE, we believe that it could take at least several months after filing the APE with the reviewing court for the court to decide whether to grant approval. The approval process depends on a number of factors beyond our control, including, but not limited to, the scope of the review of the APE by the reviewing court, the number of objections, if any, to the APE, any appeals thereto and the time the reviewing court requires to review any objections. The APE approval process may also be impacted by other unforeseen events, such as the creation of new laws or regulations that amend the approval process. As a result, it is possible that even if the APE is ultimately approved, the holders of outstanding debt may suffer significant delays in receiving the notes, cash consideration and cash interest payments, during which time holders of outstanding notes that have participated in the APE will not be able to effect transfers of their outstanding notes.

Our APE will provide that participating holders representing the Requisite Termination Majorities may elect to terminate the APE under the following circumstances, among others:

- we fail to file the APE within 45 days of receiving the consent of the requisite majorities; and
- the reviewing court fails to approve the APE within six months of the APE filing date, if no objections to the APE are filed with the reviewing court, or within eighteen months of the APE filing date, if any objection to the APE is filed with the reviewing court.

Therefore, you may experience a delay of up to eighteen months from the APE filing date before you receive your notes and/or your cash consideration and cash interest payments pursuant to the APE. This delay could exceed eighteen months if neither we nor participating holders representing the Requisite Termination Majorities elect to terminate the APE.

We may choose not to complete the APE if certain conditions are not met.

The consummation of the APE solicitation is conditioned on certain events or circumstances that, except as otherwise provided, we can either assert or waive. See The APE Solicitation Conditions to the APE Solicitation. If these conditions are not met, we may choose not to complete the APE. We also have the right to

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withdraw from and terminate the APE at any time during the interim period as described in this solicitation statement. In the event that we withdraw from the APE:

- the APE will terminate;
- any settlement or compromise embodied in the APE, including the fixing or limitation to an amount certain of any claim or class of claims, assumption or rejection of indebtedness effected by the APE, and any document or agreement executed pursuant to the APE will have no further effect; and
- nothing contained in the APE, and no acts taken in preparation for approval of the APE by the reviewing court, will constitute or be deemed to constitute a waiver or release of any claims by or against, or any interests in, us or any other person, prejudice in any manner our rights or the rights of any other person in any further proceedings involving us or constitute an admission of any sort by us or any other person.

We cannot assure you that we will complete the APE and restructure our debt on the terms described in this solicitation statement or at all.

Our debt service obligations upon consummation of the APE could differ significantly from those presented in this solicitation statement.

In preparing our post-restructuring tables and pro forma financial statements for this APE solicitation, we have made certain assumptions about the amount of notes we will issue based on elections made by participating holders, and about the outcome of, and the amount of debt to be issued by Telecom Personal in the proposed Telecom Personal restructuring. However, the actual elections of our participating holders may be significantly different from our assumptions, or as a condition to approving the APE, the reviewing court may require us to provide consideration to our participating holders and non-participating holders in a manner we have not contemplated. Similarly, Telecom Personal's restructuring may not be completed, and if completed its actual debt structure may differ from our assumptions. In the event that Telecom Personal's restructuring is not completed, all of Telecom Personal's outstanding financial indebtedness will remain outstanding as current liabilities in our consolidated financial statements. As a result, our capitalization and future debt service payments may differ significantly from the post-restructuring scenario presented in this solicitation statement under Summary Payment Default and Restructuring Future of Telecom if the Restructuring is Successful, and our ability to pay interest on the notes or to refinance the notes at maturity could be subject to greater uncertainty.

Telecom Personal's restructuring is subject to significant uncertainty and may not be completed concurrently with Telecom's APE.

Telecom Personal is currently discussing its restructuring proposal with representatives of its creditors, and Telecom is not certain whether Telecom Personal will complete its restructuring plan on the terms described herein. Telecom's APE is not conditioned upon the completion of the Telecom Personal restructuring; however, Telecom has the right, in its sole discretion, to terminate the APE at any time prior to March 31, 2005 if Telecom Personal has not executed its APE agreement, unless Telecom has already received court approval for the APE.

If Telecom Personal has not successfully completed its restructuring by the time that Telecom issues the notes pursuant to its APE, an event of default would exist under the notes unless the default is cured within 30 days after the issuance date. Although it is possible that Telecom will proceed with its APE even if the Telecom Personal restructuring is not completed, Telecom believes that it is in the best interests of its creditors (including creditors of Telecom Personal) to complete the restructuring of Telecom Personal at substantially the same time as Telecom

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completes its APE. Telecom's present intention is to terminate the APE if the Telecom Personal restructuring is not completed on a substantially concurrent schedule. However, Telecom reserves the right to complete its APE even if Telecom Personal's restructuring has not been completed.

Telecom Personal's subsidiary, Núcleo, also is in the process of restructuring its indebtedness. The outcome of this restructuring is also uncertain.

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Once you have delivered your consent to the APE you will not be able to trade the outstanding notes delivered which will impact the liquidity of all outstanding notes.

Once you have transmitted your acceptance to the APE solicitation, your outstanding notes will be blocked from trading by the settlement agent. See The APE Solicitation Procedures for Participating in the APE Solicitation. As a result, you will be unable to trade your outstanding notes after you consent to the APE unless the APE is terminated in which case your right to trade your outstanding notes will be restored promptly after the termination date. On the termination date, Telecom will instruct the settlement agent to authorize DTC, Euroclear and Clearstream, Luxembourg to unblock the outstanding notes for trading.

Further, since the holders of outstanding notes that have voted in favor of the APE will not be able to trade in their notes after the date on which they have submitted their vote, the trading market for the outstanding notes will be reduced which will reduce the liquidity of all outstanding notes, including those held by non-participating holders.

Your rights as a creditor will be limited during the review period.

During the review period, your rights as a holder of our outstanding debt will be limited by Argentine law and the terms of the APE. In particular, during the review period you will not be able to file bankruptcy proceedings against us; existing bankruptcy petitions against us will be stayed; and you will not be able to file suits or actions against us to enforce any right to payment with respect to the outstanding debt. See Description of the APE and Risks Associated with the Notes.

The terms of the APE may be amended with the consent of the requisite majorities but without your consent.

Although we do not anticipate amending the terms of the APE, if unforeseen developments occur after the filing of the APE, we may propose amendments to the APE, including amendments to the terms of the notes. If approved by the requisite majorities, these amendments will be incorporated into the terms of the APE that is submitted to the reviewing court. By providing your consent to the APE, you are agreeing to participate in the APE in the form submitted to the reviewing court, even if the APE is amended with the consent of the requisite majorities but without your consent.

Risks Associated with the Notes

We may be unable to pay interest or principal on the notes.

If our restructuring is successful, we expect to be able to make interest and principal payments on the notes. However, this expectation is based on certain assumptions about macroeconomic factors that will effect key components of our business, including, without limitation:

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- an exchange rate of Argentine pesos to U.S. dollars in the range of P\$3.00 to P\$5.00 per US\$1.00 for the term of the notes;
- lower rates of inflation for the term of our notes than experienced in 2002, with estimated rates of inflation ranging from a high of 12.8% in 2005 to 7.5% in 2011;
- ultimate tariff adjustments for basic charges, measured service charges and other rates for our services relative to inflation; and
- moderate growth in Argentine real gross domestic product.

See Summary Payment Default and Restructuring Future of Telecom if the Restructuring is Successful. If any of these assumptions are incorrect, if unforeseen events occur that materially and adversely affect our operations or if there are restrictions on our ability to transfer funds abroad, we may not be able to make payments of interest or principal due on the notes. You should understand that an investment in the notes involves a high degree of risk.

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We may be subject to additional Argentine tax with respect to the notes, in which case our ability to make payments on the notes may be impaired.

We cannot assure you that the listed notes will be entitled to the benefits of the withholding tax exemption provided by the Negotiable Obligations Law. Consequently, we may be obligated to pay additional Argentine tax with respect to the listed notes and we cannot assure you that we will have enough cash to pay these amounts. Moreover, if we are able to pay these amounts, our ability to make other payments on the notes may be impaired.

The notes are structurally subordinated to indebtedness of our subsidiaries.

Because the notes will not be guaranteed by any of our subsidiaries, the notes will be effectively junior and structurally subordinated to all debt and other liabilities of our subsidiaries. Generally, claims of creditors of a subsidiary, including trade creditors, if any, of such subsidiary will have priority with respect to the assets and earnings of such subsidiary over the claims of the creditors of its parent company as a shareholder, except to the extent the parent is a creditor of such subsidiary or to the extent security has been provided to the creditors of the parent by such subsidiary. Consequently, in the event of a liquidation, winding up, bankruptcy reorganization or similar proceeding relating to Telecom or any of its subsidiaries, the assets of the relevant subsidiary will be available to satisfy claims of creditors of the subsidiary before they are available or distributed to Telecom. As of March 31, 2004, our subsidiaries (including Telecom Personal) had total outstanding liabilities of US\$774 million (including trade creditors and excluding intercompany obligations). Subject to specified limitations, our subsidiaries may incur additional debt from time to time, all of which will be structurally senior to the notes. See Description of the Notes Limitations on Indebtedness for further information about our ability to incur additional debt.

There is no established trading market for the notes and the market value of the notes is uncertain.

The notes will be new issues of securities with no established trading market or prior trading history. There can be no assurance that a market for the notes will develop. If a market for the notes does not develop, the notes could trade at prices that may be higher or lower than those for the outstanding notes, depending on many factors, including many beyond our control. In addition, the market value of the new consideration is not necessarily related to the market value of the instruments representing our outstanding debt. Because our outstanding debt is not actively traded, it is impossible to compare market values of the notes with the market values of our outstanding debt. Furthermore, the liquidity of, and trading markets for, the notes may be adversely affected by changes in interest rates and declines and volatility in the markets for similar securities and in the overall economy, as well as by any changes in our financial condition or results of operations. In addition, in the event there are changes in the listing requirements for any of the exchanges on which our notes are issued, we may conclude that continued listing on such exchange is unduly burdensome, and may terminate our listing on that exchange.

Risk Factors Relating to Argentina

Overview

Substantially all of our property, operations and customers are located in Argentina and most of our indebtedness is denominated in U.S. dollars and euro. 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 these other currencies. As detailed below and as further described in

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Background and Reasons for the APE Solicitation, in the past several years the Argentine economy has experienced a severe recession as well as a political crisis, and the abandonment of dollar-peso parity has led to significant devaluation of the peso against major international currencies. These conditions have and will continue to affect our financial condition and results of operations and may impair our ability to make payments of principal and/or interest on our financial indebtedness including the notes.

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The devaluation of the peso will adversely affect Telecom's results of operations and its ability to service its debt obligations.

Since Telecom realizes substantially all of its revenues in Argentina in pesos, any devaluation in the peso will negatively affect the U.S. dollar value of our earnings while increasing the cost, in peso terms, of our expenses and capital costs denominated in foreign currency. These factors will negatively impact our ability to service our notes, which will be largely denominated in non-peso currencies.

The Argentine peso has been subject to significant devaluation in the past and may be subject to significant fluctuations in the future. See Background and Reasons for the APE Solicitation. Given the economic and political uncertainties 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 and how these uncertainties will affect the consumption of telephone services. Moreover, Telecom 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 peso and, accordingly, on Telecom's financial condition and results of operations.

Substantial inflation may continue, which will negatively impact Telecom's revenues.

Argentina experienced significant inflation during 2002. During 2002, the Argentine consumer price index increased 41% and the wholesale price index increased 118%. The level of inflation reflects both the effect of the peso devaluation on production costs and a substantial change in relative prices, partially offset by the elimination of public utility rate adjustments and the large drop in demand resulting from the recession. See Background and Reasons for the APE Solicitation.

Inflation slowed in 2003, with the Argentine consumer price index increasing by 3.7% and the wholesale price index increasing by 1.9% in 2003. For the first three months of 2004, the Argentine consumer price index increased by 1.1% and the wholesale price index increased by 1.6%. Despite recent slowing of inflation rates, if the Central Bank issues significant amounts of currency to finance public sector spending or to assist financial institutions in distress or if the value of the peso cannot be stabilized by positive expectations for Argentina's economic future and/or strict fiscal and monetary policies, an increase in inflation rates can be expected. Since we derive the majority of our revenues from fees payable in pesos, unless our tariffs increase at a rate at least equal to the rate of inflation, any further increase in the rate of inflation will result in decreases in our revenues in real terms and will adversely affect our results of operations. Pursuant to the Public Emergency Law, contract clauses requiring adjustments in agreements for the provision of public utility services between the Argentine government and the providers of those services (including us) based on foreign inflation indexes and all other indexation mechanisms have been revoked, and the tariffs for the provision of such services were converted from their original U.S. dollar values to pesos at a rate of P\$1.00 per U.S.\$1.00. We are in the process of renegotiating our tariffs with the Argentine government and Telefónica de Argentina S.A. As part of this renegotiation, on May 20, 2004, we entered into an agreement with the Argentine government whereby we agreed to maintain together with Telefónica de Argentina S.A. the current tariff structure we charge our customers for basic telephony services until December 31, 2004. We cannot assure you that the outcome of any further renegotiation will be favorable to us and our future financial position. See Information on Telecom Rates Rates and Information on Telecom Rates Public Emergency Law.

The Central Bank has imposed restrictions on the transfer of funds outside of Argentina in the past and may do so in the future, which could prevent us from making payments on our external debt.

In 2001 and 2002, the Argentine government imposed a number of monetary and currency exchange control measures that included restrictions on the free disposition of funds deposited with banks and tight restrictions on transferring funds abroad. These restrictions severely limited our ability to make payments on our debt to creditors outside of Argentina. See Background and Reasons for the APE Solicitation. Although these

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restrictions have generally been eliminated, there can be no assurance that the Central Bank will not again restrict the transfer of funds abroad for principal and/or interest payments by Telecom to its foreign creditors which would limit our ability to service our debt.

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The deterioration of the Argentine economy and the effects of pesification may require Telecom to undertake a mandatory capital stock reduction or commence dissolution proceedings.

Under section 206 of the Argentine Companies Law No. 19,550, as amended, if at the annual shareholders' meeting a corporation presents financial statements that report that the corporation's losses have absorbed its reserves and at least 50% of its share capital, the corporation is required to reduce its capital stock. Furthermore, under paragraph 5 of section 94, if the corporation presents annual financial statements that report negative shareholders' equity, the corporation is required to commence dissolution proceedings unless its shareholders take action (either by making an additional capital contribution or authorizing the issuance of additional shares of the corporation) that increases the company's capital stock. These provisions of the Argentine Companies Law have been suspended until December 10, 2004 as a result of successive presidential decrees. In addition, the Buenos Aires Stock Exchange has issued a resolution providing that companies with negative shareholders' equity can continue listing their securities on the reduced trading panel (*rueda reducida*) until June 30, 2004, instead of being suspended from listing from the Buenos Aires Stock Exchange. We cannot assure you that the suspension of the mandatory capital reduction requirements of the Argentine Companies Law, or the exemption from the positive shareholders' equity requirements of the Buenos Aires Stock Exchange, will be extended again or that these requirements will not be enforced in the future.

Although Telecom's shareholders' equity was positive as of December 31, 2003 (largely as a result of the appreciation of the peso in 2003), if the Argentine economy does not continue to improve and the peso depreciates against the U.S. dollar, Telecom's results of operations may decline such that they absorb at least 50% of its share capital and reserves or result in negative equity. In this case Telecom may be forced to reduce its capital stock or commence dissolution proceedings.

Future Argentine government policies will likely significantly 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, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. See Background and Reasons for the APE Solicitation. Under the Kirchner administration, the CNC has been aggressive in adopting new regulations and imposing fines on telecommunications companies, particularly privatized companies such as Telecom. The CNC has initiated administrative proceedings to collect fines against Telecom amounting to approximately P\$8 million and claims for 2002 fines of P\$0.42 million are also pending. We have challenged the imposition of these fines in these administrative proceedings. 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 and the AFIP have also brought an increasing number of claims against us, including for our amortization of assets and past deductions for uncollectible receivables. We cannot assure you that laws and regulations currently governing the economy or the telecommunications industry will not change, or that any changes will not adversely affect our business, financial condition or results of operations as well as our ability to honor our foreign currency denominated debt obligations.

In the event of further social or political crises, companies in Argentina may also face the risk of further civil and social unrest, strikes, expropriation, nationalization, forced renegotiation or modification of existing contracts, and changes in taxation policies, including royalty and tax increases and retroactive tax claims.

In addition, investments in Argentine companies may be further affected by changes in laws and policies of the United States affecting foreign trade, taxation and investment.

Argentina continues to face considerable political and economic uncertainty.

Although general economic conditions have shown improvement and political protests and social disturbances have diminished considerably in 2003, the rapid and radical nature of the changes in the Argentine

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social, political, economic and legal environment over the past five years and the absence of a clear political consensus in favor of any particular set of economic policies have given rise to significant uncertainties about the country's economic and political future. See Background and Reasons for the APE Solicitation. It is currently unclear whether the economic and political instability experienced over the past five years will continue and it is possible that, despite recent economic growth, Argentina may return to a deeper recession, higher inflation and unemployment and greater social unrest. If this instability continues, there could be a material adverse effect on our results of operations and financial condition.

Further, the Argentine government is facing severe fiscal problems as a result of the devaluation of the peso. As most of the Argentine government's financial liabilities are U.S. dollar-denominated, the cost, in peso terms, of servicing these liabilities has increased significantly as a result of the devaluation. In addition, peso-denominated tax revenues constitute the majority of Argentina's tax receipts and although tax revenues have increased in peso terms, due to inflation they have decreased in U.S. dollar terms. Therefore, the government's ability to honor its foreign debt obligations has been materially and adversely affected by the devaluation of the peso.

Argentina is currently insolvent and is limited in its ability to obtain financing in the future, which may restrict its ability to implement reforms and restore economic growth.

The Argentine government is currently insolvent and has defaulted on a significant part of its public debt in recent years although it has recently reached an agreement to postpone the maturity date of certain amounts of its debt owed to the International Monetary Fund, or IMF, and other international credit organizations. See Background and Reasons for the APE Solicitation. Due to a sustained lack of investor confidence in Argentina's ability to make payments due on its sovereign debt and in the Argentine economy generally, Argentina's opportunities to effectively raise capital in the international markets have been severely limited. This inability to obtain financing has and will continue to affect Argentina's ability to implement any reforms and restore economic growth. In addition, the adoption of austere fiscal measures may be required to repay the Argentine government's debt and to balance its budget. These factors could lead to deeper recession, higher inflation and unemployment and social unrest which would negatively affect our financial condition and results of operations.

The stability of the Argentine banking system is uncertain.

In recent years the Argentine financial system has been characterized by extreme volatility. In the past, the Argentine government has restricted bank withdrawals and required the conversion of dollar deposits to pesos. This has led to a significant decrease in commercial and financial activities, diminished spending and greatly increased social unrest, resulting in widespread public protests against financial institutions. See Background and Reasons for the APE Solicitation.

Since 2002, a large number of cases brought in Argentine courts have challenged the constitutionality of pesification pursuant to the Public Emergency Law and have demanded the return of deposits in dollars or in pesos at the prevailing exchange rate at the time of payment. In at least one case, the Argentine Supreme Court has struck down the mandatory conversion to pesos of U.S. dollar deposits. See Background and Reasons for the APE Solicitation. This decision creates uncertainty for the Argentine banking system as a whole and raises the possibility that a large number of depositors may seek to withdraw all of their deposits and convert their pesos into dollars in the future. If this happens, the Argentine government may be required to provide additional financial assistance to banks. If the Argentine government is not able to provide this assistance and these withdrawals are significant, this could lead to the collapse of one or more large banks or even the Argentine financial system.

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 recovery 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 or uncollectible accounts.

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Risks Associated with Telecom and its Operations

Telecom may be forced into bankruptcy or to file for reorganization.

Although Telecom's goal is to achieve a restructuring pursuant to an APE, Telecom cannot assure you that it will be successful in refinancing its outstanding debt through this APE solicitation. It is possible that one or more of Telecom's creditors may seek to attach Telecom's assets prior to the completion of the proposed restructuring. In addition, if a claim is filed requesting Telecom's bankruptcy, or *quiebra*, by one or more of its creditors, Telecom may seek the assistance of the Argentine courts by filing for reorganization, or *concurso*. See Risks Associated with the APE Solicitation. If the restructuring is not consummated, there is a significant likelihood that we will have to commence bankruptcy proceedings or face involuntary insolvency proceedings.

Uncertainties resulting from the current economic situation in Argentina and currently existing regulations affecting us and uncertainties relating to the restructuring of our outstanding debt currently raise substantial doubt about our ability to continue as a going concern and may continue to negatively impact our financial position and results of operations.

Telecom's consolidated financial statements as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001 have been prepared assuming that it will continue as a going concern.

Pricewaterhouse & Co. (a member firm of PricewaterhouseCoopers) and Pistrelli, Henry Martin y Asociados S.R.L. (a member firm of Ernst & Young Global) have jointly issued a qualified opinion on the consolidated financial statements of Telecom as of and for the year ended December 31, 2003, because of a departure from Argentine GAAP. As further discussed in Note 3.c. to the consolidated financial statements, Telecom has discontinued restating its financial statements in constant currency effective March 1, 2003, as required by a CNV resolution. Argentine GAAP required companies to restate financial statements for inflation through September 30, 2003.

Our accountants' report includes a paragraph describing the existence of substantial doubt about our ability to continue as a going concern. Although we expect that completion of the APE, if successful, will reduce the risks associated with our ability to continue as a going concern, factors such as the strength of the Argentine economy and the devaluation of the peso, as further described in this Risk Factors section, may continue to negatively impact the financial position and results of operations of Telecom and its subsidiaries and there is a risk that we will not be able to continue as a going concern.

Our ability to operate our business will be constrained by restrictions and limitations imposed during the interim period and by the indenture governing our notes.

The indenture governing the notes will contain certain operating and financial restrictions and covenants that may adversely affect our ability to finance our future operations or capital needs or to engage in certain business activities. We will agree to observe these restrictions during the interim period. These agreements will limit, and in some cases prohibit, our ability to:

- incur liens;
- incur indebtedness;
- sell assets;
- enter into sale and leaseback transactions;
- engage in transactions with our shareholders and affiliates;
- make capital expenditures;
- make restricted payments (including loans and investments);
- impose payment restrictions affecting restricted subsidiaries;

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- issue equity interests of Telecom Personal resulting in a loss of control of Telecom Personal;
- engage in other lines of business; or
- engage in certain mergers.

In addition, the notes and Telecom Personal's loans will contain cash sweep provisions which will require us and Telecom Personal to use any excess cash as defined in the notes to prepay our and Telecom Personal's notes, respectively, which will further limit our ability to finance our future operations or capital needs. See Description of the Notes Certain Covenants of Telecom Mandatory Prepayment with Excess Cash.

We are and will continue to be highly leveraged.

As of December 31, 2003, our total consolidated bank and financial indebtedness, denominated in dollars, euro and yen amounted to the equivalent of approximately US\$3,381 million, including accrued but unpaid interest, penalties and post-default interest rate increases. Our total consolidated peso-denominated debt amounted to P\$176 million, including accrued but unpaid interest, penalties and post-default interest rate increases and CER adjustment. After giving effect to the restructuring pursuant to the APE, based on the assumptions of the management of Telecom, we expect that the nominal (contractual) amount of our unconsolidated bank and financial indebtedness as of December 31, 2003 will be approximately US\$1,801 million. Our leverage may impair our ability to service our indebtedness or obtain additional financing in the future, to withstand competitive pressure and adverse economic conditions or to take advantage of significant business opportunities that may arise.

In addition, our subsidiary, Telecom Personal is, and will continue to be, highly leveraged. As of December 31, 2003, Telecom Personal's unconsolidated outstanding debt was US\$599 million (including the U.S. dollar equivalent, in the case of debt denominated in other currencies, of US\$27 million principal amount in intercompany obligations, accrued but unpaid interest, penalties and post-default interest rate increases). After giving effect to Telecom Personal's restructuring based on the assumptions of the management of Telecom and Telecom Personal, we expect that the nominal (contractual) amount of Telecom Personal's unconsolidated bank and financial indebtedness as of December 31, 2003 will be approximately P\$1,236 million (the equivalent of approximately US\$422 million). Telecom's APE is not conditioned upon the completion of the Telecom Personal restructuring; however, Telecom has the right, in its sole discretion, to terminate the APE at any time prior to March 31, 2005 if Telecom Personal has not executed its APE agreement, unless Telecom has already received court approval for the APE.

Nortel, as the principal shareholder of Telecom, and its controlling shareholder, Sofora, exercise significant control over matters affecting Telecom.

Nortel is Telecom's principal shareholder, owning approximately 54.74% of Telecom's capital stock as of the date of this solicitation statement. Nortel owns all of Telecom's Class A shares and, as of the date of this solicitation statement, approximately 8.5% of Telecom's Class B shares. Sofora owns 100% of the common stock and 67.78% of the capital stock of Nortel. Sofora is currently 50% owned by Telecom Italia Group, 48% owned by the Wertheim Group and 2% owned by France Telecom Group. See Major Shareholders and Related Party Transactions Major Shareholders.

Through their ownership of Sofora, the Telecom Italia Group and the Wertheim Group will have the ability to determine the outcome of any action requiring Telecom's shareholders' approval, including the ability to elect a majority of directors. Accordingly, Sofora and its shareholders

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are able to control the payment of dividends by Telecom, subject to the requirements of Argentine law, and to increase the amount or frequency of these dividend payments in order to fund expenditures or distributions by Sofora or for other purposes.

Telecom has been informed that pursuant to the shareholders' agreement entered into between the Telecom Italia Group and the Wertheim Group, the Telecom Italia Group and the Wertheim Group have agreed amongst themselves certain matters relating to the election of directors of Nortel and Telecom and have given the Wertheim Group veto power with respect to certain matters relating to Telecom as described in Major Shareholders and Related Party Transactions Shareholders' Agreement.

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The APE does not provide for the issuance or modification of any equity securities. As a result, Nortel will retain all of its current equity and, as a result of Sofora's direct ownership of Nortel, Sofora's shareholders will continue to exercise their current level of control after the APE. We have engaged in and will continue to engage in transactions with these shareholders 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 our capital stock and as parties with interests in these related party contracts. The decisions of these shareholders may conflict with our interests or the interests of the holders of the notes. See Major Shareholders and Related Party Transactions.

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

In accordance with the Public Emergency Law, in January 2002, rates for basic telephony 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 may charge in the future will be determined by negotiation between Telecom 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 the services, the investment plans, consumer protection and accessibility of the services and the profitability of Telecom. In connection with these negotiations, on May 20, 2004, we entered into an agreement with the Argentine government and Telefónica de Argentina S.A. whereby we agreed, without waiving our right to continue negotiations, to maintain the current tariff structure we charge our customers for basic telephony services until December 31, 2004. See Information on Telecom Rates. Telecom is unable to predict the outcome of these negotiations and the rate scheme which will be applied in the future. Moreover, Telecom is unable to predict whether the Argentine government, as a result of the current rate renegotiations, will impose additional conditions or requirements on telecommunications companies, including Telecom, and if these conditions or requirements are imposed, whether Telecom will be able to meet them.

Rate restrictions and reductions of some scope and magnitude may continue for a number of years and may reduce revenues from basic services and other services. While Telecom intends to continue to strive to control operating costs 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 or reductions measured in dollar terms.

Telecom must comply with conditions in its license, some of which are outside of its control.

Telecom is subject to a complex series of laws and regulations with respect to most of the telecommunications services it provides. Telecom provides telecommunications services pursuant to a license that is subject to regulation by various regulatory bodies. Any partial or total revocation of the license would be likely to have a material adverse impact on Telecom's financial condition and results of operations. Telecom's dissolution and the declaration of bankruptcy are events which may lead to a revocation of Telecom's license under the List of Conditions.

Certain of the conditions of the license are not within Telecom's control. For example, any transfer of shares resulting in a direct or indirect loss of control in Telecom according to Section 33 of the Argentine Companies Law without prior approval of the regulatory authorities may result in the revocation of Telecom's license and, until June 29, 2004, certain transfers of shares of Telecom, or its direct or indirect shareholders, may result in the revocation of Telecom Personal's PCS AMBA license.

Nortel owns all of our Class A Ordinary Shares (51% of our total capital stock) and approximately 8.5% of our Class B Ordinary Shares (3.74% of our total capital stock) which, in the aggregate, represented approximately 54.74% of our total capital stock. Telecom is 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. See Major Shareholders and Related Party Transactions Shareholders Agreement.

In addition, since December 2003, the Telecom Italia Group and W de Argentina Inversiones S.L are each required to maintain direct ownership of at least 15% of the common stock of Sofora.

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Telecom's business operates in a competitive environment which may result in a reduction in its market share in the future.

Telecom competes with licensed provider groups, comprised of, among others, independent basic telephony service providers, mobile (cellular) and cable operators, as well as individual licensees, some of which are affiliated with major service providers outside Argentina. Groups with data transmission networks and other companies providing wireless services may be indirect competitors of Telecom to the extent those services may be substitutes for fixed wireline telephony. As of December 31, 2003, more than 150 licenses for local and/or long distance services had been granted since the end of the exclusivity period. See [Information on Telecom](#) [Our Business](#) [Competition](#).

Telecom expects that it will face pressure on the rates it charges for services and experience loss of market share for basic telephony service in the Northern Region as a result of this competition. In addition, the market for cellular services is quite competitive as certain of our competitors are better capitalized than Telecom in their networks and have substantial telecommunications experience. In March 2004, Telecom learned that BellSouth Corporation announced that it would sell its interests in its Latin American cellular operations to Telefónica Móviles, S.A. ([Telefónica Móviles](#)), the wireless affiliate of Telefónica, S.A., which reported that the proposed sale would result in Telefónica Móviles becoming Argentina's largest cellular operator. The Internet services and wireless telecommunications markets, which we expect will 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 basic telephony market, Telecom must invest in its fixed-line network in order to maintain and improve service quality. To remain competitive in the wireless telecommunications market, Telecom Personal must enhance its wireless networks by transitioning from TDMA to GSM technology, expand its network coverage, provide high service quality and attractive plans. To remain competitive in the Internet services market, Telecom must constantly upgrade its access technology and software, embrace emerging transmission technologies and improve the responsiveness, functionality, coverage and features of its services. Telecom must also adapt to changing market conditions. Responding to these changes may require us to devote substantial capital to the development, procurement or implementation of new technologies. See [Information on Telecom](#) [Capital Expenditures](#). We also anticipate that we will have to devote significant resources to the refurbishment and maintenance of our and our subsidiaries' existing network infrastructures. In addition, we may have to make significant expenditures for the repair or replacement of our equipment lost due to theft or vandalism.

The operating and financial restrictions under the terms of the notes (including limits on capital expenditures by us and by Telecom Personal) and the macroeconomic situation in Argentina and our related lack of access to bank financing and the capital markets may impede 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. If we are unable to make these 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 and features, our customer base and our user traffic may be materially affected.

Competition is and will continue to be affected by Telecom's and its competitors' respective business strategies and alliances. Accordingly, Telecom may face additional pressure on the rates it charges for its services or experience loss of market share in these areas. In addition, the general business and economic climate in Argentina, including economic turbulence and regional differences in growth, interest rates, inflation rates and the instability of the dollar/peso exchange rate may affect Telecom and its competitors differently, potentially to the relative disadvantage of Telecom. Telecom also expects that the level of competition in its markets will increase in the future.

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In light of the range of regulatory, business and economic uncertainties Telecom faces, as discussed in this Risk Factors section, it is difficult for Telecom to predict with meaningful precision and accuracy the future market share of Telecom in relevant geographic areas and customer segments, the speed with which change in Telecom's market share or prevailing prices for services may occur or the effects of competition. Those effects could be material and adverse to Telecom's overall financial condition and results of operations.

Creditors of Telecom may be unable to attach certain assets of Telecom to secure a judgment.

Argentine courts will not enforce any attachment with respect to property which is located in Argentina and determined by the court to be dedicated to the provision of essential public services. A substantial portion of Telecom's assets may be considered to be dedicated to the provision of an essential public service. If an Argentine court were to make such a determination with respect to certain of Telecom's assets, those assets would not be subject to attachment, execution or other legal process and Telecom's creditors may not be able to realize a judgment against the assets of Telecom.

Telecom's operations and financial condition could be affected by union activity and general labor unrest.

In Argentina, labor organizations have substantial support and have considerable political influence. The demands of Telecom's labor organizations have increased recently as a result of the general labor unrest and dissatisfaction resulting from the disparity between the cost of living and salaries in Argentina as a result of the end of the Convertibility Law (although the Argentine government has attempted to alleviate this economic disparity through in-kind social welfare distributions). Moreover, labor organizations have advocated that certain of our non-unionized employees, particularly Telecom Personal's cellular telephony employees, should be represented by trade unions. If the number of employees covered by trade unions increases, we may incur an increase in costs for the higher compensation that we may need to pay to unionized employees.

While Telecom attempts to negotiate with its labor organizations in order to mitigate the effects of the Argentine economy on the real wages of its employees, Telecom is limited in its abilities to resolve these issues since it has not received authorization for tariff increases. If Telecom is not able to resolve these issues with the labor organizations, these organizations may strike or cause other types of conflicts. Strikes or other types of conflict with the unions or unionized personnel may have a material adverse effect on Telecom's ability to maintain ordinary service levels or otherwise operate its business in the manner that customers expect. In those circumstances, Telecom might face an immediate loss of revenue. Damage to Telecom's reputation might also result, with a potential longer-term negative effect on revenues. We have agreed to defer negotiations under one of our collective bargaining agreements until August 2004. See Directors, Senior Management and Employees Employees and Labor Relations.

Telecom is involved in various litigation proceedings which could result in unfavorable decisions and financial penalties for Telecom.

Telecom is party to a number of legal proceedings, some of which have been pending for several years. Telecom cannot be certain that these claims will be resolved in its favor and responding to the demands of litigation may divert management time, attention and financial resources. Telecom is aware of two involuntary bankruptcy petitions, or *pedidos de quiebra*, for an amount of US\$356,787 and eight summary attachment proceedings, or *juicios ejecutivos*, that have been filed against us by persons alleging to be holders of our outstanding notes for the aggregate value of the equivalent of approximately US\$2.2 million (based on exchange rates as of May 31, 2004). We have not been served process with respect to the bankruptcy petitions. We have been served process and have filed the required formal responses for each of the *juicios ejecutivos*. In addition, certain attachments have been granted over an aggregate amount of approximately US\$3.5 million (based on exchange rates as of May 31, 2004) of funds and assets of Telecom. We do not expect that these bankruptcy petitions or summary attachment proceedings and

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attachments will result in Telecom being declared bankrupt. However, there is a significant likelihood that we will have to commence reorganization (*concurso*) proceedings if we are unable to consummate the APE expeditiously and if claims of this nature increase. See Information on Telecom Legal Proceedings.

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Telecom may be subject to measures by the Argentine government which may impose an obligation to provide telecommunications services without compensation.

On June 12, 2002, the Argentine Congress passed Law No. 25,609 which, as of the date of this solicitation statement, is not yet in effect. Law No. 25,609 provides that Argentine telephone operators such as Telecom must provide indispensable telephony services to certain public entities, including public hospitals, welfare institutions, public education facilities and the Argentine armed forces, even if these beneficiaries do not pay for these services. The implementation of Law No. 25,609 and subsequent regulations may impact Telecom's ability to set-off any amounts owed by these public entities against any amounts Telecom owes to the Argentine government.

The executive branch vetoed Law No. 25,609 and instead passed Decree No. 1174/02 on July 4, 2002, which requires an operator that intends to suspend services to these entities provide 30 business days notice of this suspension to the affected entity and departments of the executive branch. However, Law No. 25,609 may still become effective upon approval of the National Congress.

If the proposed measures under Law No. 25,609 are enforced, Telecom may incur losses as a result of its provision of services without compensation.

As part of our negotiations on the tariff structure we can charge for basic telephony services, on May 20, 2004, we entered into an agreement with the Argentine government and Telefónica de Argentina S.A. whereby we, together with Telefónica de Argentina S.A., agreed, among other things, to grant free prepaid calling cards to pensioners and to certain beneficiaries of Argentine government-sponsored social programs that currently have no wire telephone lines, and to establish special tariffs for the provision of Internet services within the Argentine provinces.

Telecom's financial statements may not give you the same information as financial statements prepared under U.S. GAAP.

Publicly available information about public companies in Argentina is generally less detailed and not as frequently updated as the information that is regularly published by or about listed companies in the United States and certain other countries. In addition, although Telecom is subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, the periodic disclosure required of foreign issuers under the Exchange Act is more limited than the periodic disclosure required of domestic U.S. issuers. Furthermore, 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. Telecom maintains its financial books and records and prepares its financial statements in conformity with Argentine GAAP, which differs in certain significant respects from U.S. GAAP. See Note 16 to Telecom's consolidated financial statements as of and for the year ended December 31, 2003 for a description of the significant differences between Argentine GAAP and U.S. GAAP as they relate to Telecom.

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BACKGROUND AND REASONS FOR THE APE SOLICITATION

Substantially all of Telecom's property, operations and customers are located in Argentina and most of its outstanding debt is denominated in U.S. dollars and euro. Accordingly, Telecom's 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 the U.S. dollar and euro. As detailed below, in the past several years, the Argentine economy has experienced a severe recession as well as a political crisis, and the abandonment of dollar-peso parity has led to significant devaluation of the peso against major international currencies.

As a consequence of these factors and the other developments discussed below, we have been unable to make principal and interest payments on our outstanding debt and, as a result, in April 2002 and June 2002, we announced the suspension of payments of principal and interest, respectively, on our and our Argentine subsidiaries' outstanding debt. Since announcing the suspension of principal and interest payments on our outstanding debt, we have been working with our financial advisors to develop a comprehensive plan to restructure all of our outstanding debt and have developed the restructuring plan presented in this solicitation statement in order to restructure our outstanding debt to levels that we are capable of servicing with cash from operations.

We believe that successful completion of the restructuring will result in a level of debt that we are capable of servicing for the term of the notes without the need to access the capital markets to refinance the restructured debt. This belief is based on a number of assumptions about macroeconomic factors that would affect key components of our business. See Summary Payment Default and Restructuring Future of Telecom if Restructuring is Successful.

Overview

In the second half of 1998, the Argentine economy entered into a recession that caused real gross domestic product to decrease by 3.4% in 1999, by 0.8% in 2000, by 4.4% in 2001 and by 10.9% in 2002, an overall decline of 18.4% for the period 1998 through 2002. In 2003, gross domestic product increased by approximately 8.7%.

In 2001, Argentina experienced increased capital flight, decreased economic activity and continuing political infighting. As the recession caused tax revenue to drop, the public sector relied increasingly on financing from local, and to a lesser extent, foreign banks, effectively foreclosing private sector companies from bank financing. Consequently, the creditworthiness of the public sector began to deteriorate while interest rates increased to record highs.

Severe political and economic uncertainty and speculation about the eventual abandonment of the Convertibility Law following the expected default by the Argentine government generated numerous deposit withdrawals in the banking sector. On December 3, 2001, the Argentine government effectively froze bank deposits and introduced exchange controls restricting capital outflows. The measures were designed to preserve the banking sector from collapse, because under the Convertibility Law, the Central Bank's ability to issue pesos in order to provide liquidity was restricted. Although the deposit freeze was announced as a temporary measure, it was perceived as a further paralysis of the economy and it worsened the political, social and economic crises that eventually led to the resignation of President De la Rúa.

The interim Argentine governments that followed De la Rúa, and particularly President Duhalde after his appointment in January 2002, undertook a number of far-reaching initiatives, including:

- amending the Convertibility Law, with the resulting devaluation of the peso;
- suspending payments of principal and interest on certain of Argentina's sovereign debt;
- converting domestic U.S. dollar-denominated debts into peso-denominated debts at a one-to-one exchange rate;

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- converting U.S. dollar-denominated bank deposits into peso-denominated bank deposits at an exchange rate of P\$1.40 per U.S. dollar;
- restructuring bank deposits and imposing restrictions on transfers abroad;
- amending the Central Bank's charter to allow it to print currency in excess of the amount of the foreign reserves it holds, make short-term advances to the Argentine government and provide financial assistance to financial institutions with liquidity constraints or solvency problems;
- requiring the obligatory sale by all banks of all their foreign currency bills held in Argentina to the Central Bank at an exchange rate of P\$1.40 per U.S. dollar (this initiative has been abolished);
- converting public service tariffs, including Telecom's, which had originally been calculated in U.S. dollars, into pesos at a one-to-one exchange rate;
- freezing public service tariffs, including Telecom's, and prohibiting indexation of any kind on public service tariffs; and
- authorizing the Argentine government to renegotiate public service tariffs.

The rapid and radical nature of changes in the Argentine social, political, economic and legal environment, including the Argentine Supreme Court's decision declaring the conversion of dollar-denominated deposits into pesos unconstitutional, created significant uncertainty. As a result, commercial and financial activities in Argentina decreased significantly in 2002, further aggravating the economic recession that eventually led to financial crisis. Real gross domestic product dropped by an estimated 10.9% in 2002, and the unemployment rate rose to a high of 21.5% in May 2002, declining to 19.0% as of December 2002.

Although the economic instability continues, general economic conditions showed some improvement during 2003. In particular, real gross domestic product grew by 8.7% in 2003 compared to 2002 and the nominal exchange rate appreciated from P\$3.37 per U.S. dollar as of December 31, 2002 to P\$2.93 per U.S. dollar as of December 31, 2003. Further, inflation has shown signs of slowing as the consumer price index increased by only 1% during the fourth quarter of 2003, and by 3.7% in the year ended December 31, 2003 compared with 41% in the year ended December 31, 2002, while the wholesale price index increased by 2% in the year ended December 31, 2003 compared to an increase of 118% in the year ended December 31, 2002.

During the first three months of 2004, the peso appreciated against the U.S. dollar, ending with a rate of P\$2.86 per US\$1.00 as of March 31, 2004 compared to P\$2.93 per US\$1.00 as of December 31, 2003. Inflation remained stable as the Argentine consumer price index increased by 1.1% during the first three months of 2004. Argentine gross domestic product increased by 1.6% during the first quarter of 2004.

Exchange Rates and Controls

From April 1, 1991 until the beginning of 2002, the Argentine Convertibility Law was applicable in Argentina. The Argentine Convertibility Law established a fixed exchange rate under which the Central Bank was obliged to sell U.S. dollars at a fixed rate of P\$1.00 per US\$1.00. Under the Argentine Convertibility Law, all foreign exchange controls were eliminated and no restrictions were placed on capital flows.

In December 2001, the Argentine government placed severe restrictions on the withdrawal of bank deposits and introduced exchange controls subjecting transfers of foreign currency abroad to Central Bank approval. The reintroduction of foreign exchange controls had a significant impact on the foreign exchange market, and the peso began to trade at less than parity with the U.S. dollar, despite the fact that the Argentine Convertibility Law remained in effect.

On January 6, 2002, the Argentine Congress enacted the Public Emergency Law, putting an end to the regime of the Convertibility Law and thus abandoning over ten years of U.S. dollar-peso parity and eliminating the requirement that the Central Bank's reserves in gold and foreign currency be at all times equivalent to not

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less than 100% of the monetary base. The Public Emergency Law granted the executive branch the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market.

Further, a new exchange system was established that created both an official and a free exchange market for the Argentine currency, although the Central Bank from time to time enters the market to minimize fluctuations on the free exchange market. In principle, export, import and other financial activities with payment dates that had been rescheduled after the enactment of the Public Emergency Law were to be carried out on the official market. The remaining transactions relating to remittance or collection of foreign currency to or from abroad would be carried out on the free market. The initial exchange rate set for the official market was P\$1.40 per US\$1.00. Quotations on the free market depend on the value of the peso relative to the dollar on a given day. On January 11, 2002, when the peso began floating freely, *Banco Nación* published the first quotation for the value of the peso at P\$1.6 per US\$1.00 (selling rate) and P\$1.4 per US\$1.00 (buying rate). On February 8, 2002, the Argentine government issued Decree No. 260/02 establishing a single free exchange market system applicable to all transactions involving currency exchange taking place on or after February 11, 2002. Pursuant to this decree, exchange rates for financial transactions may be determined by the value of the peso on a given day or otherwise agreed by the parties to the transaction.

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 Exchange Controls.

	<u>High</u>	<u>Low</u>	<u>Average(1)</u>	<u>End of Period</u>
Year Ended September 30, 1999	1.00	1.00	1.00	1.00
Year Ended December 31, 2000	1.00	1.00	1.00	1.00
Year Ended December 31, 2001	1.00	1.00	1.00	1.00
Year Ended December 31, 2002	3.90	1.55	3.24	3.37
Year Ended December 31, 2003	3.35	2.76	2.95	2.93
Month Ended January 31, 2004	2.95	2.85	2.89	2.93
Month Ended February 29, 2004	2.96	2.92	2.90	2.92
Month Ended March 31, 2004	2.93	2.86	2.90	2.86
Month Ended April 30, 2004	2.87	2.81	2.84	2.85
Month Ended May 31, 2004	2.97	2.85	2.93	2.97
June (through June 17, 2004)	2.97	2.94	2.96	2.95

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

Sources: Central Bank; *Banco Nación*

On June 17, 2004, the closing exchange rate (ask price) quoted by *Banco Nación* was P\$2.95 = US\$1.00.

See Exchange Controls for a discussion of restrictions that were imposed by the Argentine government.

Pesification of Tariffs

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In addition to the effects described above, as a result of the enactment of the Public Emergency Law, tariffs for basic telephony services and long distance services were converted to and fixed at an exchange rate of P\$1.00=US\$1.00, certain tariffs were required to be renegotiated with the Argentine government on a company by company basis and contract clauses providing for adjustments to the value of payments with reference to the U.S. dollar or other foreign currencies as well as any indexation clauses (based on price indexes of other countries) or similar mechanism were eliminated. Telecom is currently negotiating with the Argentine government regarding certain tariffs and Telecom has presented the governing body with information and projections relating to our rate structure and the effects of the current emergency situation on our operations.

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According to the Public Emergency Law, while undertaking these negotiations, the Argentine government should consider several factors, including the effect of these rates on users of our services as well as the effect on the economy.

On May 20, 2004, Telecom entered into an agreement with the Argentine government and Telefónica de Argentina S.A. and whereby Telecom and Telefónica de Argentina S.A. agreed, without waiving its rights to continue with the negotiations, to maintain the current tariff structure we charge for basic telephony services until December 31, 2004.

Argentina's Default on and Restructuring of Public Debt

As a result of a failure to meet fiscal deficit targets, including those for the fourth quarter of 2001, on December 5, 2001 the International Monetary Fund, or IMF, suspended further disbursements to Argentina. This decision deepened the economic and political crisis.

On December 23, 2001, interim President Rodríguez Saá declared the suspension of debt payments on approximately US\$63 billion of Argentina's sovereign debt which amounted to approximately US\$144.5 billion as of December 31, 2001. On January 2, 2002, President Duhalde ratified this decision. Consequently, the principal international rating agencies lowered the rating of Argentina's sovereign debt to default levels. It is likely that the sovereign default ratings will have a negative impact on the ratings of Argentine companies for the next few years. However, as the macroeconomic situation in Argentina has begun to stabilize and improve, and Argentine companies have begun to restructure, several Argentine companies have received upgrades in ratings.

In January 2002, President Duhalde initiated talks with the IMF. On January 24, 2003, the IMF approved an eight-month Stand-by Credit Facility for Argentina of approximately US\$2.98 billion that was designed to provide transitional financial support through the period ending August 31, 2003. The Stand-by Credit Facility, which replaces Argentina's prior arrangements with the IMF, did not provide new funds but rather was to be used to refinance existing obligations. In addition, the IMF agreed to extend by one year the maturity of US\$3.8 billion in payments Argentina was scheduled to make through August 2003. On March 19, 2003, the IMF made US\$307 million available to Argentina under the Stand-by Credit Facility.

On September 10, 2003, the Argentine government and the IMF reached an agreement to postpone the maturity date of certain amounts owed by Argentina to the IMF and other international credit organizations. The main terms of the agreement include postponing the maturity date of US\$24.61 billion principal amount of debt owed by Argentina to international credit organizations, of which US\$12.5 billion is owed to the IMF, US\$5.6 billion is owed to the World Bank and the Interamerican Development Bank and US\$3.488 billion is owed to Paris Club creditors (an informal group of governments with large claims on other governments throughout the world), subject to payment by Argentina to the IMF of US\$2.1 billion in interest which came due on September 8, 2003. The agreement includes several obligations of the Argentine government, including the obligation to renegotiate its debt with private creditors, to renegotiate the agreements with public utility companies and to review the tariffs charged under such agreements in light of the interests of consumers, the income of such companies and the possible effect of such renegotiation on the distribution of income. Argentina made the required interest payment on September 11, 2003. The agreement was formally approved by the IMF on September 20, 2003.

On March 10, 2004, the IMF issued a press release announcing that the IMF reached another agreement with the Argentine government to supplement earlier agreements. The IMF explained that the most recent agreement addresses a series of demands made by the IMF in the September 2003 agreement intended to ensure that the Argentine government was moving forward in its negotiations with private creditors, whom Telecom understands hold approximately the equivalent of US\$100 billion of Argentina's debt. The IMF announced that its staff agreed to recommend to the IMF's Executive Board that it complete the second review pursuant to the Stand-by Credit Facility. The agreement

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acknowledged progress made by Argentina, including that Argentina had met all quantitative policy targets set for the end of December 2003 and was on track to meet the targets set for the end of March 2004.

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On March 22, 2004, the IMF issued a press release announcing that, upon completion of its second review of the Stand-by Credit Facility, it had voted to approve a US\$3.1 billion loan payment to Argentina. The IMF's announcement stated that it had approved this new loan after concluding that Argentina had demonstrated a willingness to negotiate with private creditors, and that the country was making key structural reforms, including in areas such as the banking sector. In its announcement, the IMF stressed that its continued support was dependent on Argentina's commitment to working toward an agreement with private creditors.

It is unclear what the outcome of the Argentine government's negotiations with private creditors will be, and, as a result, Argentina may experience some instability in 2004 until a definitive agreement is reached.

Recent Political Leadership

Néstor Kirchner was elected the new president of Argentina and took office on May 25, 2003. Although the Minister of the Economy under former President Duhalde, Roberto Lavagna, has remained in office, there is uncertainty with respect to the economic measures that President Kirchner's administration will adopt in the future to overcome the continuing economic crisis and the effect of any such economic measures on Argentina's national economy. Political protests and social disturbances have diminished considerably in 2003 but still continue to a certain extent. In addition, important economic indicators improved in 2003. See Overview. Despite these positive signs, we cannot assure you that President Kirchner will have the necessary support to implement the reforms required to fully restore economic growth.

The Argentine Banking System

In 2001, especially in the fourth quarter, a significant amount of deposits was withdrawn from institutions in the Argentine financial system as a result of increasing political instability and uncertainty. This run on deposits had a material adverse effect on the Argentine financial system as a whole. The magnitude of deposit withdrawals, the general unavailability of external or local credit and the obligatory restructuring of public sector debt with local holders (a substantial portion of which was placed with banks), created a liquidity crisis which undermined the ability of Argentine banks to pay their depositors. To prevent a run on the U.S. dollar reserves of local banks, in December 2001 the De la Rúa administration restricted the amount of cash that local depositors could withdraw from banks and introduced foreign exchange controls restricting capital outflows. These measures, known as the *corralito*, were replaced by the Duhalde administration which, in an attempt to stop the continuing drain on bank reserves, implemented measures, known as the *corralón*, which regulated how and when money in savings and checking accounts and maturing time deposits would become available to depositors. Despite the *corralito* and *corralón*, between January 1 and April 30, 2002, approximately P\$13.0 billion was withdrawn from banks as the result of judicial orders and other causes, at an average of P\$109 million per day.

On February 4, 2002, pursuant to Emergency Decree No. 214/02, the Argentine government converted all foreign currency-denominated bank deposits with institutions in the Argentine financial system into peso-denominated deposits at the exchange rate of P\$1.40 per U.S. Dollar (in the case of obligations denominated in U.S. Dollars) or at a comparable rate (in the case of obligations denominated in another foreign currency), with an adjustment of such new peso deposits based on the CER. The Argentine government also announced the conversion of most foreign currency-denominated debt to financial institutions in the Argentine financial system into peso-denominated debt at a rate of P\$1.00 = US\$1.00 (in the case of obligations denominated in U.S. Dollars) or at a comparable rate (in the case of obligations denominated in another foreign currency), to be adjusted based on the CER. In March 2002, the Argentine government issued Decree No. 762/02 by which it replaced the CER with the *Coefficiente de Variación de Salarios* or CVS for certain debts.

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All these factors, including the different exchange rates applied to the conversion of foreign currency-denominated bank deposits and foreign currency-denominated loans, have increasingly strained the Argentine financial system. Since January 2002, the Central Bank has been forced to grant substantial financial aid to most of the banks in the Argentine financial system. The *corralito*, the *corralón* and certain other measures have, to a

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significant extent, shielded banks from a further massive withdrawal of deposits, but they have also significantly impaired virtually all commercial and financial activities, diminished spending and greatly increased social unrest, exacerbating the already severe recession. As a result, there has been widespread public repudiation of, and protests directed against, financial institutions, which also have had a material adverse effect on the Argentine financial system.

On June 1, 2002, the Argentine government enacted Decree No. 905/02, which gave owners of rescheduled bank deposits originally denominated in foreign currencies as well as those originally denominated in Pesos the option (during a period of 30 banking business days in Argentina starting on June 1, 2002) of receiving bonds issued by the Argentine government in lieu of payment of such deposits. These bonds could be applied to the payment of certain loans under certain conditions. On September 17, 2002, Decree No. 1,836/02 launched another similar exchange offer. Depositors, however, showed little interest in the first or second phases of the offer to exchange their deposits for bonds.

In a decision dated March 5, 2003, the Supreme Court of Argentina struck down on constitutional grounds the mandatory conversion to pesos of U.S. Dollar deposits held by the Province of San Luis with *Banco Nación* pursuant to Emergency Decree No. 214/02. Under Argentine law, Supreme Court rulings are limited to the particular facts and defendant in the case; however, lower courts tend to follow the interpretations made by the Supreme Court. There are also numerous other cases in the Argentine judicial system challenging the constitutionality of pesification pursuant to the Public Emergency Law. The Supreme Court's decision creates uncertainty for the Argentine banking system as a whole and raises the possibility that the Argentine government may be required to provide additional financial assistance to banks in the form of U.S. Dollar-denominated bonds, a step which would add to the country's outstanding debt and is viewed with concern by holders of Argentina's outstanding bonds.

Through Decree No. 739/03 dated March 28, 2003, the Argentine government made a further attempt to eliminate the *corralón* by giving holders of deposits originally denominated in foreign currency the option to exchange such deposits for pesos at a rate of P\$1.40 per US\$1.00 (in the case of deposits originally denominated in U.S. Dollars) or at a comparable rate (in the case of deposits originally denominated in another foreign currency) adjusted based on the CER, plus accrued interest, and for 10-year U.S. Dollar denominated bonds to be issued by the Argentine government in an amount equal to the difference between the amount in pesos to be received by the depositors and the peso equivalent of the amount of the original deposit at the exchange rate applicable on April 1, 2003. This offer was accepted by holders of approximately 50% of these deposits.

The factors mentioned above have increased the pressures on an already weakened Argentine financial system. Certain foreign-controlled banks have closed their operations in Argentina. Given the depositors' loss of confidence in the financial system, the elimination of the *corralón* could result in an attempt by such depositors to withdraw all of their deposits and convert such pesos into U.S. Dollars. Any new pattern of withdrawals would reverse the recent increase in the level of bank deposits while heavy conversions to U.S. Dollars could cause a sharp increase in the peso/U.S. Dollar exchange rate and in inflation.

Other Emerging Market Countries

Economic conditions in Argentina are to some extent also influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have effects on the securities of issuers in other countries including Argentina.

There can be no assurance that Argentina's economic conditions will not be affected negatively by events elsewhere, especially in emerging markets, or that such effects will not adversely affect the market value of Telecom's securities.

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PRESENTATION OF FINANCIAL INFORMATION

Exchange Rates. In this solicitation statement, except as otherwise specified, references to \$, US\$ and dollars are to U.S. dollars, references to P, P\$ and pesos are to Argentine pesos and references to euro or are to the single currency of the participants in the European Economic and Monetary Union. The exchange rate (ask price) between the dollar and the peso, as quoted by *Banco Nación* was P\$3.37=US\$1.00 as of December 31, 2002 and P\$2.93=US\$1.00 as of December 31, 2003. Prior to January 6, 2002, the exchange rate had been fixed at one peso per US dollar in accordance with the Convertibility Law. However, as a result of the elimination of the fixed exchange rate and the devaluation of the peso, the exchange rate between the dollar and the peso has declined substantially. Unless otherwise indicated, our balance sheets and income statements use the exchange rate as of each relevant date or period-end quoted by *Banco Nación*. This translation should not be construed as a representation that the peso amounts actually represent actual dollar amounts or that any person could convert the peso amounts into dollars at the rate indicated or at any other exchange rate. For more information regarding historical exchange rates and the peso, see Background and Reasons for the APE Solicitation Exchange Rates and Controls.

As a convenience, we have provided translations into pesos for other currencies which are mentioned in this solicitation statement at the exchange rates in effect at December 31, 2003, including the Japanese yen, (P\$2.736=¥100), and the euro, (P\$3.6836= 1). We have also provided translations into dollars for other currencies which are mentioned in this solicitation statement at the exchange rates in effect as of December 31, 2003, including the Japanese yen at ¥107.09= US\$1.00, the euro at 0.7954=US\$1.00 and the peso at P\$2.93=US\$1.00. Unless otherwise indicated, peso, euro and Japanese yen amounts expressed in this solicitation statement as U.S. dollar equivalents have been calculated using the exchange rates in effect as of December 31, 2003, as set forth above.

In this solicitation statement, we provide references to U.S. dollars, euro and Japanese yen for information and calculation purposes only, and accordingly, this information should not be construed as a waiver of our right to challenge the constitutionality of Decree No. 410/02, or to claim the pesification of our outstanding debt in any current or future proceedings.

Financial Statements. Telecom s consolidated financial statements have been prepared in accordance with Argentine GAAP (taking into account CNV regulations), which differ in certain significant respects from U.S. GAAP. These differences include methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X. However, certain reclassifications and accommodations have been made to conform more closely to the form and content required by the SEC. For a discussion of the principal differences between Argentine GAAP and U.S. GAAP, see Note 16 to our consolidated financial statements as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001.

Accounting for Inflation. As a result of the new inflationary environment in Argentina and the reforms under the Public Emergency Law, the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (the Argentine Professional Council of Economic Sciences), or the FACPCE, approved a resolution on March 6, 2002 reinstating the application of inflation accounting in financial statements for fiscal years or interim periods ending on or after March 31, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are to be stated in constant currency as of December 31, 2001 (the Stability Period). See Note 3(c) to Telecom s consolidated financial statements as of and for the year ended December 31, 2003.

On July 16, 2002, the Argentine government issued a decree, instructing the CNV to issue the necessary regulations to accept financial statements prepared in constant currency. On July 25, 2002, the CNV reinstated the requirement to submit financial statements in constant currency, following the criteria of the FACPCE.

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However, on March 25, 2003, the Argentine government repealed the provisions of the July 16, 2002 decree related to the inflation adjustment and instructed the CNV to issue the necessary regulations to preclude

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companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for inflation accounting to be discontinued as of March 1, 2003. Telecom complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were also restated until that date.

Since Argentine GAAP required companies to prepare price-level restated financial statements (through September 30, 2003), Telecom's application, as a company under CNV supervision, of the CNV's resolution represents a departure from Argentine GAAP.

Consolidation Method. Until December 31, 1999, Telecom used the proportional consolidation method to report its investment in affiliate companies, where Telecom, together with Telefónica, had joint control (Telintar, Miniphone and Startel, all of which are defined below). The CNV has given its approval to this method which is in accordance with Argentine GAAP. Telecomunicaciones Internacionales de Argentina Telintar S.A., or Telintar, was under joint control through April 30, 1999, Miniphone S.A., or Miniphone, through September 30, 1999 and Startel S.A., or Startel, through December 31, 1999.

Change of Fiscal Year. Telecom's shareholders' meeting held on September 14, 2000, approved the change in the closing date for Telecom's fiscal year from September 30 to December 31, as well as the corresponding amendment to article 17 of Telecom's bylaws which sets forth the closing date for the fiscal year. References to year 2003, year 2002, year 2001 and year 2000 are to the fiscal years ended December 31, 2003, December 31, 2002 and December 31, 2001 and the twelve-month period ended December 31, 2000, respectively, and references to year 1999 are to the fiscal year ended September 30, 1999.

Certain amounts and ratios contained in this solicitation statement (including percentage amounts) have been rounded up or down in order to facilitate the summation of the tables in which they are presented. The effect of this rounding is not material. These rounded amounts are also included within the text of this solicitation statement.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information is based on our historical audited consolidated financial statements as of and for the year ended December 31, 2003, appearing elsewhere in this solicitation statement. The unaudited pro forma consolidated income statement information has been prepared as if the consummation of the Telecom restructuring and the Telecom Personal restructuring, which we refer to collectively as the restructurings, had occurred on January 1, 2003, and the unaudited pro forma consolidated balance sheet information has been prepared as if the consummation of the restructurings had occurred on December 31, 2003. Pro forma assumptions are further described below. Pro forma adjustments are more fully described in the accompanying notes to the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information is presented for informational purposes only and does not purport to represent what Telecom's consolidated results of operations or financial position would actually have been had the restructurings in fact occurred on such dates, or to project Telecom's consolidated results of operations or financial condition as of any future date or for any future period. The pro forma adjustments are based on currently available information and assumptions that we believe are reasonable. You should read carefully the unaudited pro forma consolidated financial information in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2003, appearing elsewhere in this solicitation statement, and Operating and Financial Review and Prospects .

In connection with the restructurings described in this solicitation statement, our management believes that the following pro forma assumptions and consequent restructuring scenario are the most probable.

The unaudited pro forma consolidated financial information has been prepared assuming that under the Telecom restructuring, holders of our outstanding debt (originally denominated in several currencies, equivalent to US\$2,701 million to be restructured) elect:

- (1) *Option A*: to restructure the equivalent of US\$500 million of outstanding debt and principal face amount adjustment with US\$500 million of series A notes;
- (2) *Option B*: to restructure the equivalent of US\$1,376 million of outstanding debt and principal face amount adjustment with US\$1,301 million of series B notes; and
- (3) *Option C*: to retire the equivalent of the remaining US\$825 million of outstanding debt and principal face amount adjustment under Option C for a cash payment of US\$663 million.

The actual schedule of our debt service obligations upon consummation of the Telecom restructuring will also depend on several factors including but not limited to:

- (a) the elections made by holders of our outstanding debt pursuant to this solicitation statement;
- (b) any proration we undertake among the options (see The APE Solicitation Terms of the APE Solicitation Proration); and

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- (c) the amount of the Option C cash payment and any reallocation of notes and cash consideration by the reviewing court.

See Risk Factors Risks Associated with the APE Solicitation.

The unaudited pro forma consolidated financial information has also been prepared assuming that under the Telecom Personal restructuring, holders of Telecom Personal s outstanding debt (originally denominated in several currencies, equivalent to US\$595 million to be restructured) elect:

- (1) *Option A*: to restructure the equivalent of US\$50 million of outstanding debt and principal face amount adjustment with US\$50 million of Series A debt instruments;
- (2) *Option B*: to restructure the equivalent of US\$396 million of outstanding debt and capitalized interest with US\$372 million of Series B debt instruments; and
- (3) *Option C*: to retire the equivalent of the remaining US\$149 million of outstanding debt and principal face amount adjustment under Option C for a cash payment of US\$119 million.

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Our consolidated financial statements have been prepared in accordance with Argentine GAAP, which differ in certain significant respects from U.S. GAAP. See Note 16 to our audited consolidated financial statements as of and for the year ended December 31, 2003 for a description of the principal differences between Argentine GAAP and U.S. GAAP applicable to us.

Argentine GAAP establishes that an exchange of debt instruments with substantially different terms is a debt extinguishment and that the old debt instrument should no longer be recognized. Argentine GAAP clarifies that an exchange of debt instruments is deemed to have been accomplished upon the issuance of debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original debt instrument. The new debt instrument should be initially recorded at fair value and that amount should be used to determine the debt extinguishment gain or loss to be recognized. Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money (see Consolidated debt evolution table below).

We have made the following assumptions in preparing the unaudited pro forma consolidated financial information. The adjusted pro forma amounts represent only a possible outcome of the restructurings based on the selected assumptions. The actual results will differ if these assumptions differ from the actual outcome of the restructurings.

Overall assumptions for the unaudited pro forma consolidated financial information

- We have not given effect to the mandatory prepayment options under the restructurings since these options are contingent upon reaching certain levels of excess cash;
- With respect to Telecom's outstanding debt, we have assumed that holders of 18% of Telecom's outstanding debt elect Option A, holders of 51% of Telecom's outstanding debt elect Option B, and holders of 31% of Telecom's outstanding debt elect Option C, in accordance with the proportional limits allocated to Option B and Option C in the Telecom restructuring;
- With respect to Telecom Personal's outstanding debt, we have assumed that its APE is completed and holders of 8% of Telecom Personal's outstanding debt elect Option A, holders of 67% of Telecom Personal's outstanding debt elect Option B, and holders of 25% of Telecom Personal's outstanding debt elect Option C;
- With respect to series A notes, we have assumed that holders of outstanding debt elect to have their new notes denominated in the currency in which the outstanding debt was originally issued, except for holders of peso-denominated debt, who are assumed to exchange their outstanding debt for new notes denominated in U.S. dollars. Thus, holders of peso-denominated debt elect new dollar-denominated notes, holders of dollar-denominated debt elect new dollar-denominated notes, holders of euro-denominated debt elect new euro-denominated notes, and holders of yen-denominated debt elect new yen-denominated notes;
- As required by Argentine GAAP, we have discounted the new notes to their present value using a discount rate of 11.25% for dollar-denominated notes, 10.29% for euro-denominated notes and 6.81% for yen-denominated notes; and
- The following exchange rates have been used in the preparation of the pro forma financial information:

Exchange rate (Actual)

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	December 31, 2002	December 31, 2003
Peso/US\$	3.37	2.93
Peso/Euro	3.53	3.68
Yen/Peso	35.16	36.55

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Assumptions for the unaudited pro forma consolidated balance sheet

- We have assumed that the new notes will be payable in semiannual installments commencing on April 15, 2004; and
- We have assumed the maintenance of a minimum balance of cash and banks for operational purposes, equivalent to the outstanding balance of cash and banks as of December 31, 2003.

Assumptions for the unaudited pro forma consolidated income statement

- We have assumed the new notes will be payable in semiannual installments commencing on April 15, 2003.

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As of December 31, 2003

(In millions of Argentine pesos)

	(Unaudited)			
	Historical	Adjustments for Telecom Restructuring	Adjustments for Telecom Personal Restructuring	Pro forma
ASSETS				
CURRENT ASSETS				
Cash and banks	26			26
Investments	2,441	(1,874) ^(1.a)	(340) ^(2.a)	227
Accounts receivable, net	581			581
Other receivables, net	150			150
Inventories, net	14			14
Other assets	3			3
Total current assets	3,215	(1,874)	(340)	1,001
NON-CURRENT ASSETS				
Other receivables, net	193			193
Investments	47			47
Fixed assets, net	8,001	(42) ^(1.b)	(8) ^(2.b)	7,951
Intangible assets, net	845	(5) ^(1.c)	(1) ^(2.c)	839
Total non-current assets	9,086	(47)	(9)	9,030
TOTAL ASSETS	12,301	(1,921)	(349)	10,031
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	451			451
Debt	9,996	(7,390) ^(1.d)	(1,524) ^(2.d)	1,082
Salaries and social security payable	77			77
Taxes payable	151			151
Other liabilities	25			25
Contingencies	15			15
Total current liabilities	10,715	(7,390)	(1,524)	1,801
NON-CURRENT LIABILITIES				
Debt	86	4,133 ^(1.d)	969 ^(2.d)	5,188
Salaries and social security payable	30			30
Taxes payable		105 ^(1.e)	(12) ^(2.e)	93
Other liabilities	39			39
Contingencies	210			210
Total non-current liabilities	365	4,238	957	5,560

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TOTAL LIABILITIES	11,080	(3,152)	(567)	7,361
Minority interest	32			32
Foreign currency translation adjustments	21			21
SHAREHOLDERS EQUITY	1,168	1,231^(1.f)	218^(2.f)	2,617
TOTAL LIABILITIES, MINORITY INTEREST, FOREIGN CURRENCY TRANSLATION ADJUSTMENTS AND SHAREHOLDERS EQUITY				
	12,301	(1,921)	(349)	10,031
Total Shareholders Equity under Argentine GAAP				
	1,168	1,231	218	2,617
U.S. GAAP Adjustments				
- Foreign currency translation	38			38
- Capitalization of foreign currency exchange differences	(566)	42 ^(1.g)	8 ^(2.g)	(516)
- Restructuring and repurchase of debt	(20)	(1,420) ^(1.h)	(221) ^(2.h)	(1,661)
- Other adjustments	7			7
- Tax effects on U.S. GAAP adjustments	205	482 ^(1.i)	74 ^(2.i)	761
- Valuation allowance for tax credits	(364)	265 ^(1.i)	99 ^(2.i)	
- Minority interest	(12)			(12)
Total Shareholders Equity under U.S. GAAP	456	600	178	1,234

Table of Contents**Notes to unaudited pro forma consolidated balance sheet (in millions of Argentine pesos)****1. Pro forma adjustments to recognize the consummation of the Telecom restructuring:***Pro forma adjustments under Argentine GAAP*

- a. Reflects the net effect of (1) cash proceeds of P\$109 from the issuance of additional short-term debt and (2) the utilization of such amount plus P\$1,874 out of the historical balance of investments to pay P\$1,941 at the closing date of the Telecom restructuring and P\$42 of transaction expenses.
- b. Reflects the reversal of historical capitalized foreign currency exchange losses of P\$42 associated with the restructured debt under the Telecom restructuring.
- c. Reflects the charge to expense of unamortized debt issuance costs of P\$5 related to existing restructured debt.
- d. Reflects the net effect of (1) the incurrence of additional short-term debt of P\$109 (see 1.a. above); (2) the forgiveness of accrued interest and penalty interest of P\$293; (3) the forgiveness of principal of P\$694; (4) the payment of principal of P\$1,941 (see 1.a. above); and (5) the gain on discounting the new debt of P\$438. Also reflects the reclassification of P\$4,133 from short-term debt to long-term debt (see Consolidated debt evolution table below). The nominal (contractual) amount of debt outstanding after giving effect to the restructuring will be greater than amounts shown in the pro forma column.
- e. Represents the tax effects of the pro forma adjustments at the statutory income tax rate of 35%. The tax effect represents (1) the recognition of a deferred tax liability of P\$468 and (2) the reversal of the valuation allowance for P\$363 that would not have been recognized had the deferred tax liability been recorded as of December 31, 2003. As more fully described in Note 10 to our consolidated financial statements, we treated the difference between the tax basis and indexed book basis of non-monetary items as temporary (in line with IAS and U.S. GAAP) as from the fiscal year 2002. However, in April 2003, the Professional Council of Economic Sciences in the city of Buenos Aires reached a consensus that differences between the tax basis and the related book basis would be permanent. Should the difference be regarded as permanent, the pro forma deferred tax liability of P\$105 would turn into a deferred tax asset of P\$1,096.
- f. Reflects the effects of the Telecom restructuring as follows:

	Gain (loss)
Forgiveness of accrued interest and penalty interest	293
Forgiveness of principal	694
Gain on discounting the new notes	438
Reversal of capitalized foreign currency exchange losses	(42)
Expense of unamortized debt issuance costs	(5)
Transaction expenses	(42)
Total pro forma adjustments before tax effects	1,336
Tax effects on pro forma adjustments	(468)
Decrease in valuation allowance	363

Net gain on the Telecom restructuring	1,231
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Pro forma adjustments under U.S. GAAP

- g. For U.S. GAAP purposes, foreign currency exchange differences cannot be capitalized and are expensed as incurred. The U.S. GAAP adjustment reflects the reversal of the pro forma adjustments described in 1.b. above.

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- h. For U.S. GAAP purposes, Telecom's restructuring is treated as a troubled debt restructuring in accordance with SFAS No. 15 Accounting by Debtors and Creditors for Troubled Debt Restructurings. Since the carrying amount of the outstanding debt does not exceed the total future cash payments specified by the new debt, no gain on the restructuring is recognized. For U.S. GAAP purposes, interest expense is determined using an effective interest rate that equates the present value of the future cash payments specified by the new notes with the carrying amount of the outstanding debt (average rate of 6.7%). As a result, the net effect of the restructuring will be recognized prospectively as a reduction of the interest expense throughout the term of the new notes. Accordingly, this adjustment reflects the reversal of a portion of the pro forma adjustments described above, as follows:

	<u>Gain (loss)</u>
Forgiveness of accrued interest and penalty interest	(293)
Forgiveness of principal	(694)
Gain on discounting the new notes	(438)
Expense of unamortized debt issuance costs	5
Total reversal of adjustments	<u>(1,420)</u>

- i. Represents the tax effects of: (1) the pro forma adjustments of the foregoing U.S. GAAP adjustments amounting to P\$482; and (2) the reversal of the valuation allowance for P\$265 that would not have been recognized under U.S. GAAP had the debt been restructured as of December 31, 2003.

2. Pro forma adjustments to recognize the consummation of the Telecom Personal restructuring:***Pro forma adjustments under Argentine GAAP***

- a. Reflects the utilization of P\$340 out of the historical balance of investments to pay P\$333 of principal and P\$7 of transaction expenses.
- b. Reflects the reversal of historical capitalized foreign currency exchange losses of P\$8 associated with the restructured debt under the Telecom Personal restructuring.
- c. Reflects the charge to expense of unamortized debt issuance costs of P\$1 related to existing restructured debt.
- d. Reflects the net effect of (1) the forgiveness of accrued interest and penalty interest of P\$16; (2) the forgiveness of principal of P\$152; (3) the payment of principal of P\$333 (see 2.a. above); and (4) the gain on discounting the new debt of P\$54 (see Consolidated debt evolution table below). The nominal (contractual) amount of debt outstanding after giving effect to the restructuring will be greater than amounts shown in the pro forma column.
- e. Represents the tax effects of the pro forma adjustments at the statutory income tax rate of 35%. The tax effect represents (1) the recognition of a deferred tax liability of P\$72 and (2) the reversal of the valuation allowance for P\$84 that would not have been recognized had the debt been restructured as of December 31, 2003. As more fully described in Note 10 to our consolidated financial statements, we treated the difference between the tax basis and indexed book basis of non-monetary items as temporary (in line with IAS and U.S. GAAP) as from the fiscal year 2002. However, in April 2003 the Professional Council of Economic Sciences in the city of Buenos Aires reached a consensus that differences between the tax basis and the related book

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basis would be permanent. Should the difference be regarded as permanent, the pro forma deferred tax asset of P\$12 would have been increased to P\$238.

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- f. Reflects the effects of the Telecom Personal restructuring as follows:

	Gain (loss)
Forgiveness of accrued interest and penalty interest	16
Forgiveness of principal	152
Gain on discounting the new notes	54
Reversal of capitalized foreign currency exchange losses	(8)
Expense of unamortized debt issuance costs	(1)
Transaction expenses	(7)
Total pro forma adjustments before tax effects	206
Tax effects on pro forma adjustments	(72)
Decrease in valuation allowance	84
Net gain on the Telecom Personal restructuring	218

Pro forma adjustments under U.S. GAAP

- g. For U.S. GAAP purposes, foreign currency exchange differences can not be capitalized and are expensed as incurred. The U.S. GAAP adjustment reflects the reversal of the pro forma adjustment described in 2.b. above.
- h. For U.S. GAAP purposes, the Telecom Personal restructuring is treated as a troubled debt restructuring in accordance with SFAS No. 15 Accounting by Debtors and Creditors for Troubled Debt Restructurings. Since the carrying amount of the outstanding debt does not exceed the total future cash payments specified by the new debt, no gain on the restructuring is recognized. For U.S. GAAP purposes, interest expense is determined using an effective interest rate that equates the present value of the future cash payments specified by the new debt with the carrying amount of the outstanding debt (average rate of 7.6%). As a result, the net effect of the restructuring will be recognized prospectively as a reduction of the interest expense throughout the term of the new debt. Accordingly, this adjustment reflects the reversal of a portion of the pro forma adjustments described above, as follows:

	Gain (loss)
Forgiveness of accrued interest and penalty interest	(16)
Forgiveness of principal	(152)
Gain on discounting the new notes	(54)
Expense of unamortized debt issuance costs	1
Total reversal of adjustments	(221)

- i. Represents the tax effects of: (1) the pro forma adjustments of the foregoing U.S. GAAP adjustments amounting to P\$74; and (2) the reversal of the valuation allowance for P\$99 that would not have been recognized under U.S. GAAP had the debt been restructured as of December 31, 2003.

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	(Unaudited)							
	Historical	Forgiveness of principal	Forgiveness of interest	Gain on discounting the new debt	Payment of principal	Short-term debt	Reclassi- fication	Pro forma
Short-term debt								
Outstanding debt								
-Principal	9,145	(838)	528	(488)	(2,257)		(5,911)	179
-Accrued and penalty interest	851		(842)					9
New short-term debt						109		109
New debt							785	785
Total short-term debt	9,996	(838)	(314)	(488)	(2,257)	109	(5,126)	1,082
Long-term debt								
Outstanding debt								
-Principal	86	(8)	5	(4)	(17)		(35)	27
New debt							5,161	5,161
Total long-term debt	86	(8)	5	(4)	(17)		5,126	5,188
Total debt	10,082	(846)	(309)	(492)	(2,274)	109		6,270
Total debt (nominal)	10,102	(846)	(309)		(2,274)	109		6,782
Effect on discounting the debt	(20)			(492)				(512)
Total debt under Argentine GAAP	10,082	(846)	(309)	(492)	(2,274)	109		6,270

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UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2003

(In millions of Argentine pesos, except per share data)

	(Unaudited)			
	Historical	Adjustments for Telecom restructuring	Adjustments for Telecom Personal restructuring	Pro forma
Net sales	3,753			3,753
Cost of services	(2,640)	7 ^(1.a)	1 ^(2.a)	(2,632)
Gross profit	1,113	7	1	1,121
General and administrative expenses	(222)			(222)
Selling expenses	(784)			(784)
Operating income	107	7	1	115
Equity gain from related companies	2			2
Financial results, net	48	316 ^(1.b)	(108) ^(2.b)	256
Other expenses, net	(168)			(168)
Gain on repurchase of debt	376	1 ^(1.c)	1 ^(2.c)	378
Net income (loss) before income tax and minority interest	365	324	(106)	583
Income tax	7	(100) ^(1.d)	(71) ^(2.d)	(164)
Minority interest	(21)			(21)
Net income (loss)	351	224	(177)	398
Net income per share	0.36			0.40
Net income (loss) under Argentine GAAP	351	224	(177)	398
U.S. GAAP Adjustments				
- Foreign currency translation	(53)			(53)
- Capitalization of foreign currency exchange differences	196	(9) ^(1.e)	(5) ^(2.e)	182
- Restructuring and repurchase of debt	23	244 ^(1.f)	58 ^(2.f)	325
- Other adjustments	6			6
- Tax effects on U.S. GAAP adjustments	(79)	(82) ^(1.g)	(19) ^(2.g)	(180)
- Valuation allowance for tax credits	24	3 ^(1.g)	(13) ^(2.g)	14
- Minority interest	17			17
Net income (loss) under U.S. GAAP	485	380	(156)	709
Net income per share under U.S. GAAP	0.49			0.72

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Notes to unaudited pro forma consolidated income statement (in millions of Argentine Pesos)

1. Pro forma adjustments to recognize the consummation of the Telecom restructuring for the year ended December 31, 2003:

Pro forma adjustments under Argentine GAAP

- a. Reflects the reversal of the amortization of capitalized foreign exchange losses that would not have been capitalized had the debt been restructured at the beginning of the year ended December 31, 2003.
- b. Under Argentine GAAP, the restructuring has been regarded as a debt extinguishment and accordingly the outstanding debt was no longer recognized. The pro forma adjustment reflects the net effects of (1) the reversal of the historical interest expense of P\$514 recognized during the year ended December 31, 2003 and the recognition of accrued interest on the new debt of P\$364 for the year ended December 31, 2003; (2) the additional foreign currency exchange gains of P\$254 that would have been recognized had the outstanding debt been restructured at the beginning of the year ended December 31, 2003; (3) the reversal of the amortization of capitalized foreign currency exchange losses of P\$1 that would not have been capitalized had the debt been restructured at the beginning of the year ended December 31, 2003; (4) the loss on accretion of new debt of P\$93; and (5) the reversal of the amortization of debt issuance costs of P\$4.
- c. Reflects the lower reversal of capitalized foreign exchange losses that would not have been recorded had the debt been restructured at the beginning of the year ended December 31, 2003.
- d. Represents the tax effects of the foregoing pro forma adjustments at the statutory income tax rate of 35%. The tax effect represents (1) the recognition of a deferred tax liability of P\$113 and (2) the reversal of the valuation allowance for P\$13 that would not have been recognized had the outstanding debt been restructured at the beginning of the year ended December 31, 2003.

Pro forma adjustments under U.S. GAAP

- e. For U.S. GAAP purposes, foreign currency exchange differences can not be capitalized and are expensed as incurred. The U.S. GAAP adjustment reflects the reversal of the pro forma adjustments described in 1.a, 1.b and 1.c above.
- f. For U.S. GAAP purposes, the Telecom restructuring is treated as a troubled debt restructuring in accordance with SFAS No. 15 Accounting by Debtors and Creditors for Troubled Debt Restructurings . Since the carrying amount of the outstanding debt does not exceed the total future cash payments specified by the new debt, no gain on the restructuring is recognized. Interest expense is determined using an effective interest rate that equates the present value of the future cash payments specified by the new debt with the carrying amount of the outstanding debt (average rate of 6.7%). As a result, the net effect of the restructuring is recognized as a reduction of the interest expense throughout the term of the new notes. The pro forma adjustment reflects the net effect of (1) the reduction in interest expense of P\$24 (2) the effect of foreign currency exchange gains of P\$127 and (3) the reversal of the loss on accretion of new notes of P\$93.
- g. Represents the tax effects of the foregoing U.S. GAAP pro forma adjustments at the statutory income tax rate of 35%. The tax effect represents (1) the recognition of a deferred tax liability of P\$82 and (2) the reversal of the valuation allowance for P\$3 that would not have been recognized had the debt been restructured at the beginning of the year ended December 31, 2003.

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2. Pro forma adjustments to recognize the consummation of the Telecom Personal restructuring for the year ended December 31, 2003:

Pro forma adjustments under Argentine GAAP

- a. Reflects the reversal of the amortization of capitalized foreign exchange losses that would not have been capitalized had the debt been restructured at the beginning of the year ended December 31, 2003.
- b. Under Argentine GAAP, the restructuring has been regarded as a debt extinguishment and accordingly the outstanding debt was no longer recognized. The pro forma adjustment reflects the net effects of (1) the reversal of the historical interest expense of P\$90 recognized during the year ended December 31, 2003 and the recognition of accrued interest on the new debt of P\$99 for the year ended December 31, 2003; (2) the reversal of foreign currency exchange gains of P\$83 that would not have been recognized had the debt been restructured at the beginning of the year ended December 31, 2003; (3) the reversal of the amortization of capitalized foreign currency exchange losses of P\$3 that would not have been capitalized had the debt been restructured at the beginning of the year ended December 31, 2003; and (4) the loss on accretion of new debt of P\$19.
- c. Reflects the lower reversal of capitalized foreign exchange losses that would not have been recorded had the debt been restructured at the beginning of the year ended December 31, 2003.
- d. Represents the tax effects of the foregoing pro forma adjustments at the statutory income tax rate of 35%. The tax effect represents (1) the recognition of a deferred tax asset of P\$37 and (2) the reversal of the valuation allowance decrease for P\$108 that would not have been recognized had the outstanding debt been restructured at the beginning of the year ended December 31, 2003.

Pro forma adjustments under U.S. GAAP

- e. For U.S. GAAP purposes, foreign currency exchange differences cannot be capitalized and are expensed as incurred. The U.S. GAAP adjustment reflects the reversal of the pro forma adjustments described in 2.a, 2.b and 2.c above.
- f. For U.S. GAAP purposes, the Telecom Personal restructuring is treated as a troubled debt restructuring in accordance with SFAS No. 15 Accounting by Debtors and Creditors for Troubled Debt Restructurings. Since the carrying amount of the outstanding debt does not exceed the total future cash payments specified by the new debt, no gain on the restructuring is recognized. Interest expense is determined using an effective interest rate that equates the present value of the future cash payments specified by the new debt with the carrying amount of the outstanding debt (average rate of 7.6%). As a result, the net effect of the restructuring is recognized as a reduction of the interest expense throughout the term of the new debt. The pro forma adjustment reflects the net effect of (1) the reduction in interest expense of P\$2 (2) the effect of foreign currency exchange gains of P\$37 and (3) the reversal of the loss on accretion of new debt of P\$19.
- g. Represents the tax effects of the foregoing U.S. GAAP pro forma adjustments at the statutory income tax rate of 35%. The tax effect represents (1) the recognition of a deferred tax liability of P\$19 and (2) the reversal of the valuation allowance decrease for P\$13 that would not have been recognized had the debt been restructured at the beginning of the year ended December 31, 2003.

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Subject to the following, the table below sets forth our consolidated debt, shareholders' equity and certain other information, determined in accordance with Argentine GAAP, as of December 31, 2003 and as adjusted to give effect to the restructuring pursuant to the APE (applying the assumptions set forth under "Unaudited Pro Forma Consolidated Financial Information"). Our authorized and issued share capital as of December 31, 2003 amounted to P\$984 million. Except as disclosed, as of the date of this solicitation statement there has been no material change in our capitalization since December 31, 2003, with the exception of accrued interest and effects of exchange rate differences. As a result of these factors and the economic instability in Argentina, investors should be aware that the historical financial information as of December 31, 2003 that is shown below may not fully reflect our financial condition as of a subsequent date.

	As of December 31, 2003		As Adjusted Post-Restructuring (unaudited)	
	(in millions of constant pesos)(1)	(in millions of US dollars)(2)	(in millions of constant pesos) (6)	(in millions of US dollars)(2)
Cash and banks and current investments:				
Cash and banks	26	9	26	9
Current investments	2,441	833	227	77
Total cash and banks and current investments (3)	2,467	842	253	86
Short-term Debt:				
Short-term debt	9,145	3,121	1,073	366
Accrued and penalty interest	851	290	9	3
Total short-term debt	9,996	3,411	1,082	369
Long-term Debt:				
Long-term debt	86	29	5,188	1,771
Total long-term debt	86	29	5,188	1,771
Total debt(4)	10,082	3,440	6,270(5)	2,140
Shareholders' Equity:				
Common Stock	984	336	984	336
Inflation adjustment of Common Stock	3,044	1,039	3,044	1,039
Legal reserve	277	95	277	95
Accumulated deficit	(3,137)	(1,071)	(1,688)	(577)
Total shareholders' equity	1,168	399	2,617	893
Total capitalization (7)(8)	1,254	428	7,805	2,664

(1) As stated in Telecom's consolidated financial statements as of and for the year ended December 31, 2003.

(2)

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Translated into U.S. dollars at the exchange rate of P\$2.93 per US\$1.00. This translation should not be construed as a representation that the Argentine peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. On June 4, 2004 the closing exchange rate (ask price) quoted by Banco Nación was P\$2.95 = US\$1.00.

- (3) As of March 31, 2004 total cash and banks and current investments was P\$2,778 million (US\$971 million), comprised of P\$ 11 million (US\$4 million) of cash and banks and P\$2,767 million (US\$967 million) of current investments.
- (4) As of March 31, 2004 total debt was P\$9,935 million (US\$3,474 million), comprised of P\$9,909 million (US\$3,465 million) of short-term debt and P\$26 million (US\$9 million) of long term debt. Telecom's total unconsolidated outstanding debt as of March 31, 2004 was P\$8,055 million (US\$2,816 million) (including the U.S. dollar equivalent, in the case of debt denominated in other currencies).

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- (5) The nominal (contractual) amount of total debt, as adjusted to give effect to the restructuring, is approximately P\$6,782 million (the equivalent of approximately US\$2,315 million) as of December 31, 2003. Amounts presented in the table reflect the treatment of restructured debt obligations as required by Argentine GAAP. For U.S. GAAP purposes, Telecom's restructuring is treated as a troubled debt restructuring in accordance with SFAS No. 15 Accounting by Debtors and Creditors for Troubled Debt Restructurings. Since the carrying amount of Telecom's outstanding debt does not exceed the total future cash payments specified by its new debt, no gain on the restructuring is recognized. In making this determination for U.S. GAAP purposes, interest expense is determined by using an effective interest rate that equates the present value of the future cash payments specified by the new notes with the carrying amount of the outstanding debt.
- (6) Assumes Telecom Personal's restructuring is consummated as proposed in its restructuring proposal described herein.
- (7) Total capitalization consists of total long-term debt and total shareholders' equity.
- (8) As of March 31, 2004 total capitalization was P\$1,318 million (US\$461 million), comprised of total long-term debt of P\$26 million (US\$9 million) and total shareholders' equity of P\$1,292 million (US\$452 million).

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SELECTED FINANCIAL DATA

Our selected consolidated financial information, relating to the year ended September 30, 1999 and the twelve month period ended December 31, 2000 has been derived from our consolidated financial statements which have been audited by Price Waterhouse & Co. (a member firm of PricewaterhouseCoopers). Our annual consolidated financial statements relating to the year ended September 30, 1999 and the twelve month period ended December 31, 2000 are not included herein. Our selected consolidated financial information, shown below, relating to the years ended December 31, 2002 and 2001 has been derived from our annual consolidated financial statements which have been audited by Henry Martin, Lisdero y Asociados—one of the predecessor firms of Pistrelli, Henry Martin y Asociados S.R.L.—both member firms of Ernst & Young Global. Our selected consolidated financial information for the year ended December 31, 2003 has been derived from our annual consolidated financial statements included herein which have been audited by Price Waterhouse & Co. (a member firm of PricewaterhouseCoopers) and Pistrelli, Henry Martin y Asociados S.R.L. (a member firm of Ernst & Young Global). The selected consolidated financial information should be read in conjunction with Operating and Financial Review and Prospects and our audited consolidated financial statements beginning on page F-1 of this solicitation statement.

Pricewaterhouse & Co. (a member firm of PricewaterhouseCoopers) and Pistrelli, Henry Martin y Asociados S.R.L. (a member firm of Ernst & Young Global) have issued a qualified opinion on the consolidated financial statements of Telecom as of and for the year ended December 31, 2003 because of a departure from Argentine GAAP. As further discussed in Note 3.c. to the consolidated financial statements, Telecom has discontinued restating its financial statements into constant currency effective March 1, 2003, as required by a CNV resolution. Argentine GAAP required companies to restate financial statements for inflation through September 30, 2003. Such accountants' report also includes a paragraph describing the existence of substantial doubt about our ability to continue as a going concern.

Inflation Accounting

As a result of the inflationary environment in Argentina and the reforms under the Public Emergency Law, the FACPCE approved a resolution on March 6, 2002 reinstating the application of inflation accounting in financial statements for fiscal years or interim periods ending on or after March 31, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 (the Stability Period) are to be stated in constant currency as of December 31, 2001. See Note 3(c) to Telecom's consolidated financial statements as of and for the year ended December 31, 2003.

On July 16, 2002, the Argentine government issued a decree, instructing the CNV to issue the necessary regulations to accept financial statements prepared in constant currency. On July 25, 2002, the CNV reinstated the requirement to submit financial statements in constant currency, following the criteria of the FACPCE.

However, on March 25, 2003, the Argentine government repealed the provisions of the July 16, 2002 decree related to the inflation adjustment and instructed the CNV to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for inflation accounting to be discontinued as of March 1, 2003. Telecom complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were also restated until that date.