

TELECOM ARGENTINA SA
Form 424B3
June 22, 2004
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File No. 333-111790

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

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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.

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;

- 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 *Coficiente 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 (*Comissione 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 co