TELECOM ARGENTINA SA
Form F-1/A
May 11, 2004
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As filed with the Securities and Exchange Commission on May 11, 2004

Registration No. 333-111790

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 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	**4813**	**Inapplicable**
(State or other jurisdiction of Incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Alicia Moreau de Justo 50

Piso 10

C1107AAB Buenos Aires

Argentina

011-54-11-4968-4000

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

Puglisi & Associates

850 Library Avenue

Suite 204

P.O. Box 885

Newark, Delaware

(302) 738-6680

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

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New York, New York 10017	**London EC2V 7NG**	**New York, NY 10019**
	United Kingdom	

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. ¨ ________

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	$ 903,513,914.59		$ 73,094.28

(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.

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 (Subject to Completion)

TELECOM ARGENTINA S.A.

Telecom Argentina S.A., *a sociedad anónima* organized under Argentine law (Telecom, us or we) is conducting a **solicitation to grant powers of attorney or commitments to approve and execute an *Acuerdo Preventivo Extrajudicial* pursuant to which holders of our outstanding**

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), collectively, the outstanding notes, and the equivalent of approximately US$876 million of our other unsecured, unconsolidated financial indebtedness as of December 31, 2003, which we refer to as the outstanding loans and, together with the outstanding notes, as the outstanding debt, as more fully described in this solicitation statement **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 capitalized interest (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 capitalized interest); or

- an option, which we refer to as Option C, to receive a cash payment, 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,

as described in this solicitation statement.

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 Option B and Option C will be prorated based on the maximum amount of outstanding debt that may be retired under these two options. If Option B or Option C is oversubscribed, holders electing these options will 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.

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. The notes will constitute *obligaciones negociables* under Argentine law.

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 an out-of-court restructuring agreement governed by Argentine law, or an *Acuerdo Preventivo Extrajudicial*, which we refer to as the APE. We are proposing that holders of our outstanding debt agree to a plan under which we will 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. 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 on our outstanding debt.

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 , 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. Only persons who are holders of record of outstanding debt as of p.m., New York City time, p.m. Buenos Aires time on , 2004 will be eligible to participate in this consent solicitation.

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).

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 listed above. 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 on 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).

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, to the completion of the Telecom Personal restructuring 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 48 of this solicitation statement.

Any questions or requests for assistance may be directed to the solicitation agents, information agents or the settlement agent at the addresses and telephone numbers set forth on the back cover of this document.

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 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.**

, 2004

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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 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 APE, 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 Capitalized Interest

We will increase the principal face amount of outstanding debt to be restructured by capitalizing a portion of the accrued but unpaid interest on all of our outstanding debt (except for our commercial obligations, as described herein) corresponding to the period from June 25, 2002 through December 31, 2003 (regardless of whether the holders of such debt have participated in the APE). We refer to this capitalized accrued but unpaid interest on our outstanding debt from June 25, 2002 through December 31, 2003, which equals the equivalent of an aggregate

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amount of approximately US$148 million, as the capitalized interest. The amount of accrued but unpaid interest to be capitalized 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 capitalized interest coefficient. The capitalized interest coefficient represents a return 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 issuance date, we will adjust the amount of capitalized interest paid 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 capitalized interest amount 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 capitalized interest payment 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 capitalization of interest, 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 issuance date.

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 capitalized interest of the equivalent of approximately US$148 million.

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 elect 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 select 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. 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 may elect to receive the Option C cash interest payment in the same currency as the underlying outstanding debt that they hold or, at the election of the holder, 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 capitalized interest denominated in dollars and, in the case of Option A and Option C only, in dollars, euro, Japanese yen or Argentine pesos, as the case may be, and related capitalized interest:

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<u>Option A</u> to holders who select Option A, 1,058 principal amount of series A notes due 2014.

<u>Option B</u> 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 capitalized interest).

<u>Combination of Option B with 37.5% Participation in Option C</u> - If Option C is undersubscribed, holders who elect to receive Option B will have up to 37.5% of their principal face amount and capitalized interest 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.

<u>Option C</u> 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 outstanding debt, that will enable us to purchase an aggregate of the equivalent of up to US$825 million principal face amount of outstanding debt and capitalized interest (calculated based on the exchange rates in effect as of the close of business on the expiration date).

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

With respect to each 1,058 aggregate principal amount 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 may elect to receive this cash in the same currency as the outstanding debt they hold or, at the election of the holder, in U.S. dollars. If you hold debt in a denomination other than U.S. dollars but elect to receive your cash consideration in U.S. dollars, we will use exchange rates in effect as of the close of business on the expiration date to determine the amount of cash consideration that we will pay to you on the issuance date. See APE Solicitation Issuance Date .

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.

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 the case of Option A in dollars, euro, pesos or Japanese yen as the case may be, and in the case of Option B in dollars. 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.

We reserve the right, but are 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, providing the holders with these options would not trigger unfavorable tax treatment for us. We will publish a notice of any such amendment as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination ; and 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, *provided* that such holders provide us with satisfactory documentation (including an opinion of counsel) evidencing that under the laws of the 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. See Description of the Notes Exchange of Notes for New Loans.

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Proration

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

- up to US$1,376 million principal face amount of our outstanding debt and capitalized interest can be retired under Option B; and

- up to US$825 million principal face amount of our outstanding debt and capitalized interest 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 capitalized interest 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 outstanding debt and capitalized interest allocated to Option C.

In order to determine the need for proration, 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 outstanding debt and capitalized interest to Option A.

If Option C is oversubscribed, we will first allocate a portion of the outstanding debt and capitalized interest of holders who elected Option C to Option B until we reach the US$1,376 million limit on Option B, and we will then allocate the remaining portion of the oversubscribed amount 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 capitalized interest 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 capitalized interest, 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

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 capitalized interest 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.

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*,

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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 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 expiration date.

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 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

- deliver your outstanding notes to the settlement agent 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 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 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 deliver the outstanding loan and any promissory note, or *pagaré*, and any acknowledgement of debt obligations, or *reconocimiento de deuda*, or similar document to the settlement agent.

Holders of outstanding loans that agree to participate in this APE solicitation must either grant the settlement agent a power of attorney to execute the APE on behalf of participating holders of outstanding loans or commit to sign the APE directly. See The APE Solicitation Procedures for Participating in the APE Solicitation How to Participate if You are a 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 or any interest therein 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, in the reasonable judgment of the parties to the APE, materially adverse to one or more holders of outstanding debt, see The APE Solicitation Revocation.

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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 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 capitalized interest under Option A.

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). 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.

This APE is also subject to the condition that the conditions to the debt restructuring being undertaken concurrently by our subsidiary Telecom Personal S.A., which we refer to as Telecom Personal, are satisfied or waived. See The APE Solicitation Telecom Personal Restructuring Proposal.

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 or any interest therein 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.

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.

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Calculation of U.S. Dollar Equivalents

In connection with procedures for approving the APE, we will apply the following rates:

For the principal amount of outstanding debt denominated in euro, at the U.S. dollar/euro exchange rate quoted by Bloomberg L.P. 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. at 4:59 p.m., New York City time; and

For the principal amount of outstanding debt denominated in pesos, at the U.S. dollar/peso exchange rate published by *Banco de la Nación Argentina,* or *Banco Nación*, or, if such exchange rate is not published by *Banco Nación* or reflects a rate of exchange that differs from the average rates available in the free exchange market on such day by 10% or more, Telecom may in its sole discretion use such 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 a date which we expect to be not earlier than 60 days before the APE Filing 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 conversions, 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 agents, 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 agents 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.

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.

When issued on the issuance date, 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.

This 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 Description of the Notes Certain Defined Terms). The APE solicitation will be directed to

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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 therefore 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 therefore.

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, e 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 subsequent related laws and regulations 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.

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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;
- 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.

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 *Coeficiente 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, in the sole discretion of Telecom, 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 Societá 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 an APE, which will be a date not earlier than 60 days before the APE filing date.

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 reviewing court approval.

Juicios ejecutivos means summary attachment proceedings governed by Argentine law.

Libor means , for each Interest Period during which any Floating Rate Loan is outstanding, 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 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.

review period 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.

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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.

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 pay*s: 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.

C*ellular 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.

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.

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 Aire*s (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.

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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 Servic*e : 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.

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.

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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.

Date and Time	Events
, 2004	Commencement of this APE solicitation.
, 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. 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 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.
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 required majorities. We will then file the executed APE with the reviewing court within 15 days from the execution date of the APE. We refer to the date of this filing as the APE filing date.

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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 concurso (reorganization) proceedings, it is likely that this period may extend substantially up to several months beyond 10 Argentine court days.
Not later than 90 days after receiving approval of the APE 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.

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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.

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 .

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 capitalized interest 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

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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 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, compared to P$851 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 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$2.9 million (based on exchange rates as of May 1, 2004). We have been served with process and have filed the required formal responses for each of these claims. In addition, certain attachments have been granted over an aggregate amount of approximately US$3.1 million (based on exchange rates as of May 1, 2004) of funds and assets of Telecom. We do not expect that these 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.

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.

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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, Oscar Carlos Cristianci, Gerardo Werthein, Raúl Antonio Miranda and Julio Pedro Naveyra have been elected as directors, and Adrián Werthein, Guillermo Alberto Brizuela, Ignacio Abel González García, Franco Alfredo Livini, Luis María Gómez Iza and Osvaldo Canova have been elected as alternate directors of Telecom s Board of Directors. Adrián Werthein and Gerardo Werthein is affiliated with the Werthein Group, Raúl Antonio Miranda and Julio Pedro Naveyra are independent directors and Osvaldo Canova, Ignacio Abel González García , and Luis María Gómez Iza are independent alternate directors.

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 capitalized interest 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 capitalized interest;

- 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 capitalized interest, of outstanding debt; holders electing this option agree that up to 37.5% of their outstanding debt amount including capitalized interest may be allocated to the cash consideration at less than the full principal face amount of the original debt; and

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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. 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 be replaced by the notes and cash consideration pursuant to the APE solicitation 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).

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 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 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 secure 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.

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Summary Ratio of Earnings to Fixed Charges

Telecom s ratio of earnings to fixed charges 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	(2)	(2)	2.0

(1) The ratio related to the year ended December 31, 2002 indicate 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.

(2) 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 US GAAP for the years ended December 31, 2002 and 2001, respectively.

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 will be capitalized based on the capitalized interest calculation and our peso-denominated outstanding loans will be capitalized based on the capitalized interest calculation 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; and

- 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).

- 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 of outstanding debt and capitalized interest. 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 capitalized interest with US$500 million of series A notes;

- restructure the equivalent of US$1,376 million of outstanding debt and capitalized interest with US$1,301 million of series B notes; and

- retire the equivalent of the remaining US$825 million of outstanding debt and capitalized interest 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 capitalized interest of the equivalent of approximately US$148 million.

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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 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

	Non-Peso-Denominated Outstanding Debt	Peso-Denominated Outstanding Debt	
Due in	**Principal(2)**	**Principal(2)**	**CER Adjustment(3)**
	(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

Due in	**Principal**	**Interest**
	(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

(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.

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(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 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 capitalized interest 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 outstanding debt and capitalized interest with US$2,701 million of series A notes issued in U.S. dollars.

POST-RESTRUCTURING(1)(2)

As of December 31, 2003

Due in	**Principal**	**Interest**
	(in millions of US$)	
2004	749	
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
2014		
2015		
2016		
2017		

(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.

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.

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

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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 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.

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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).

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 and Delivery of Notes Issued, Cash Consideration and Cash Interest Payments Made Pursuant to the APE 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 a date reasonably close 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. 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 solely on the following grounds:

- 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, holding in excess of two-thirds of our outstanding debt held by all participating holders may elect to terminate the APE under the following circumstances:

- failure by us to file the APE within 45 days of receiving the consents of the requisite majorities; 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 this filing, 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 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).
Capitalized Interest	A portion of the accrued but unpaid interest on our outstanding debt for the period from June 25, 2002 through December 31, 2003 will be capitalized, or added to the principal face amount of outstanding debt to be restructured. The capitalized interest with respect to our outstanding debt denominated in U.S. dollars, euro and Japanese yen will be calculated by multiplying the principal face amount of the outstanding debt (excluding accrued but unpaid interest, penalties and post-default interest rate increases) by a capitalized interest coefficient equal to 1.058. The capitalized interest coefficient represents U.S. six-month LIBOR plus 3% on the aggregate principal amount of our outstanding debt, less the partial payment of past due interest we paid in June 2003 to holders of our outstanding debt for the period beginning on June 25, 2002 and ending on December 31, 2002. For our outstanding loans denominated in Argentine pesos, we determined the amount of capitalized interest based on the CER adjustment to the principal amount of each peso-denominated outstanding loan before applying the capitalized interest coefficient.

The capitalized interest calculation means that for each 1,000 principal face amount of U.S. dollar-, euro- or yen-denominated debt outstanding, a holder of outstanding debt will have outstanding debt of 1,058 dollars, euro or Japanese yen, as applicable, to be restructured. For each P$1,000 principal face amount of outstanding loans denominated in Argentine pesos, a holder of peso-denominated outstanding loans will have outstanding debt of P$1,058 to be restructured that will be adjusted based on the CER on the issuance date. See The APE Solicitation Terms of the APE Solicitation Overview Capitalized Interest.

The aggregate amount of capitalized interest 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 principal adjustment resulting from capitalized interest described above 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. Holders who receive cash consideration may elect to receive the Option C cash interest payment in the same currency as the outstanding debt they hold or, at the election of the holder, in 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 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.

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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 capitalized interest 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 the APE is consummated, we will allocate your capitalized interest to the amount of outstanding debt paid to you among the options you select, subject to proration of Option B and Option C. If Option B and Option C are oversubscribed, you may be prorated into Option A as described herein.

Consideration per 1,000 principal face amount of outstanding debt:

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

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	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 capitalized interest allocated to Option C.

(4) Holders who elect Option B will receive US$1,000 principal amount of series B notes for each 1,000 principal face amount of outstanding debt in dollars, or the U.S. dollar equivalent of 1,000 principal face amount of outstanding debt denominated in euro, yen or pesos. Series B notes will only be denominated in U.S. dollars.

(5) Includes capitalized interest, calculated as described above under Capitalized Interest. .

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 amount 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 capitalized interest (calculated based on the exchange rates as indicated under Introduction Calculation of U.S. Dollar Equivalents.) for up to US$663 million, or that will allow us to purchase all of the outstanding debt submitted if the debt submitted multiplied by the price specified by holders would be equal to or less than an aggregate of 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. 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.

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Allocation of Outstanding Debt Under Option B to Option C if Option C if 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 amount, 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).
Proration	Participation in Option B and Option C will be limited, based on the principal face amount and capitalized interest 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 capitalized interest that may be retired under Option B; and up to US$825 million principal face amount of our outstanding debt and capitalized interest 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 first allocate the remaining portion of your outstanding debt into Option B until we reach the limit for Option B. Once we have reached the limit for Option B, we will allocate the remaining portion of your outstanding debt into Option A.

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

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 interest accrued on the outstanding debt from January 1, 2004 to the issuance date, and the cash consideration 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 after obtaining reviewing court approval. 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. If you hold debt in a denomination other than U.S. dollars but elected to receive your cash consideration in U.S. dollars, we will use exchange rates in effect as of the close of business on the expiration date to determine the amount of cash consideration that we will pay to you on the issuance date.
Expiration Date	3:00 p.m., New York City time, 4:00 p.m., Buenos Aires time, on , 2004, subject to our ability to extend that time and date in our sole discretion, 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.
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 condition to this APE solicitation, extend this APE solicitation 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 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.

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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 capitalized interest 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). The APE solicitation is also conditioned on the completion of the proposed restructuring (or waiver of this condition) of outstanding debt of Telecom Personal.

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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 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.

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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 Depositary 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 by causing DTC to transfer their outstanding notes to the settlement agent in accordance with DTC s ATOP procedures for this transfer. 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.

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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 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.

Transfer 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. The submission of outstanding notes will be accomplished through a transfer of such outstanding notes to a blocked account of the settlement agent 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.
How to Participate If You Are a Holder of Outstanding Loans	If you are a 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 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.

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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 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 their outstanding debt allocated into 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.

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.

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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

- the ownership and disposition of listed notes received pursuant to the APE,

see United States Taxation.

Holders of outstanding loans submitted for unlisted notes 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, see Certain Argentine Tax Considerations.

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

Information Agents	Georgeson Shareholder Communications, Inc. is the information agent for this APE solicitation in the United States and Argentina. GSC Proxitalia SpA is the information agent for this APE solicitation in Europe. The address and telephone number of the information agents 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 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.

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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 agents 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 amend the APE 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, it will not trigger unfavorable tax treatment for us. We will publish a notice of any such amendment to the APE 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 denominated in dollars or euro. 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 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	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 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.

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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:

	Denomination			
Date	**Dollar Notes**	**Euro Notes**	**Peso Notes**	**Yen Notes**
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:

Date	**Dollar Notes**
Issuance Date through October 15, 2005	9.00%
October 16, 2005 through October 15, 2008	10.00%
October 16, 2008 through maturity	11.00%

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Mandatory 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 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, if on the last day of any six month period beginning on July 1 or January 1 (the calculation date), which period begins 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 retain up to 30% of the excess cash for such six month period to raise 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 paid into the reserve account; 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 dividend payment, the aggregate amount of the Excess Cash for such excess cash period applied to purchase or prepay the notes shall be at least two and a half times such dividend 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.

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Reserve Account	The indenture will provide that Telecom will establish, for the benefit of Telecom and for the holders of the notes, a cash account (the reserve account), for the full benefit of the holders of the notes 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 following the deposit of such funds for purposes of making dividend payments 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 from time to time, Telecom will not pay any Additional Amounts and will withhold or deduct the maximum amounts as may be required by applicable law. In addition, 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.

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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 interpretation becomes effective after the issuance date, Telecom pays or would become obligated to pay Additional Amounts in respect of such notes pursuant to the terms hereof; and

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

See Description of the Notes Redemption for Taxation Reasons.

Optional Redemption	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.

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

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, 1.00, P$1.00 or ¥100.00. These notes initially will be evidenced by one or more global notes and will be deposited with or on behalf of one or more depositaries to include DTC and Euroclear Bank, as operator of Euroclear and/or Clearstream, Luxembourg, and will be registered in the name of such depositary or its nominee.

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Unlisted Notes	The unlisted notes will be issued in registered, certificated (*i.e.,* non-global) form to holders of outstanding loans or commissions, without interest coupons, in denominations equal to the principal amount, together with capitalized interest, of the relevant holders outstanding loans or commissions being restructured.
Governing Law	New York; *provided, however,* 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.	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, *provided* 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. 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 transfers of an unlisted note will be effected in whole, but not in part.

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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 (excluding withholding tax) million made by Telecom Personal and US$0.04 (excluding withholding tax) million 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 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.

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Interest on our debts will cease to accrue 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.

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 the license) 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 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 the 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.

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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 (subject to proration) by selecting Option A, 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 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.

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*.

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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 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 adequacy or fairness of the APE. 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 ruled on 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 holding in excess of two-thirds of our outstanding debt held by all participating holders may elect to terminate the APE under the following circumstances:

- 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 this filing, 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 of two-thirds of our outstanding debt held by all participating holders 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 withdraw from and terminate the APE at any time during the interim period. In the event that we withdraw from the APE:

- the APE will terminate, subject to the survival of those provisions described in Description of the APE Termination of the APE Agreement Survival Upon Termination of the APE Agreement ;
- 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.

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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 amount of debt to be issued by Telecom Personal in its 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 actual debt structure upon completion of its restructuring may differ from our assumptions. 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. 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.

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 Description of the APE 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.

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:

- 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

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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.

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). 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 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.

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 but cannot assure you that the outcome of this 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 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.

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.

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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 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.

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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.

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 or 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;
- 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 notes 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$1,222 million (the equivalent of approximately US$417 million).

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, 48% owned by the Werthein Group and 2% owned by FCR. See Major Shareholders and Related Party Transactions Major Shareholders.

Through their ownership of Sofora, the Telecom Italia Group and the Werthein 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 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 Werthein Group, the Telecom Italia Group and the Werthein Group have agreed amongst themselves certain matters relating to the election of directors of Nortel and Telecom and have given the Werthein Group veto power with respect to certain matters relating to Telecom as described in Major Shareholders and Related Party Transactions Shareholders Agreement.

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

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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. See Information on Telecom Rates. Telecom does not expect these negotiations to be concluded prior to the end of 2004. 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, direct or indirect transfers of the controlling interest in Telecom without the 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.

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

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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.

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 subject to eight summary attachment proceedings, or *juicios ejecutivos*, that have been filed by persons alleging to be holders of our outstanding notes for the aggregate value of approximately US$2.9 million (based on exchange rates as of May 1, 2004). We have been served with process and have filed the required formal responses for each of these claims. In addition, certain attachments have been granted over an aggregate amount of approximately US$3.1 million (based on exchange rates as of May 1, 2004) of funds and assets of Telecom. We do not expect that these summary attachment proceedings and attachments will result in Telecom being declared bankrupt. However there is a significant likelihood that we will have to commence *concurso* (reorganization) proceedings if we are unable to consummate the APE expeditiously and if claims of this nature increase. See Information on Telecom Legal Proceedings.

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.

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;

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.

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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 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.

	High	**Low**	**Average(1)**	**End of Period**
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 October 31, 2003	2.91	2.84	2.86	2.86
Month ended November 30, 2003	2.99	2.85	2.89	2.99
Month ended December 31, 2003	2.98	2.93	2.96	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
May (through May 7, 2004)	2.92	2.85	2.88	2.92

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

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Sources: Central Bank; *Banco Nación*

On May 7, 2004, the closing exchange rate (ask price) quoted by *Banco Nación* was P$2.922 = US$1.00.

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

Pesification of Tariffs

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. 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.

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.

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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 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.

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 *Coeficiente de Variación de Salarios* or CVS for certain debts.

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,

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to a 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 US GAAP. These differences include methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by US 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.

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.

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, Decemb 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 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 capitalized interest with US$500 million of series A notes;

(2) *Option B*: to restructure the equivalent of US$1,376 million of outstanding debt and capitalized interest 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 capitalized interest 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

(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 B*: to restructure the equivalent of US$417 million of outstanding debt and capitalized interest with US$391 million of new debt instruments; and

(2) *Option C*: to retire the equivalent of the remaining US$178 million of outstanding debt and capitalized interest under Option C for a cash payment of US$143 million.

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.

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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 holders of 70% of Telecom Personal s outstanding debt elect Option B, and holders of 30% of Telecom Personal s outstanding debt elect Option C, in accordance with the proportional limits allocated to Option B and Option C in the Telecom Personal restructuring;

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

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, 2004.

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UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

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]	(407)[2.a]	160
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)**	**(407)**	**934**
NON-CURRENT ASSETS				
Other receivables, net	193			193
Investments	47			47
Fixed assets, net	8,001	(42)[1.b]	(9)[2.b]	7,950
Intangible assets, net	845	(5)[1.c]	(1)[2.c]	839
Total non-current assets	**9,086**	**(47)**	**(10)**	**9,029**
TOTAL ASSETS	**12,301**	**(1,921)**	**(417)**	**9,963**
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	451			451
Debt	9,996	(7,390)[1.d]	(1,537)[2.d]	1,069
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)**	**(1,537)**	**1,788**
NON-CURRENT LIABILITIES				
Debt	86	4,133(1.d)	903(2.d)	5,122
Salaries and social security payable	30			30
Taxes payable		105(1.e)	(8)[2.e]	97
Other liabilities	39			39
Contingencies	210			210
Total non-current liabilities	**365**	**4,238**	**895**	**5,498**

TOTAL LIABILITIES	**11,080**	**(3,152)**	**(642)**	**7,286**
Minority interest	**32**			**32**
Foreign currency translation adjustments	**21**			**21**
SHAREHOLDERS EQUITY	**1,168**	**1,231**(1.f)	**225**(2.f)	**2,624**
TOTAL LIABILITIES, MINORITY INTEREST, FOREIGN CURRENCY TRANSLATION ADJUSTMENTS AND SHAREHOLDERS EQUITY	**12,301**	**(1,921)**	**(417)**	**9,963**
Total Shareholders Equity under Argentine GAAP	**1,168**	**1,231**	**225**	**2,624**
U.S. GAAP Adjustments				
- Foreign currency translation	38			38
- Capitalization of foreign currency exchange differences	(566)	42(1.g)	9(2.g)	(515)
- Restructuring and repurchase of debt	(20)	(1,420)(1.h)	(233)(2.h)	(1,673)
- Other adjustments	7			7
- Tax effects on U.S. GAAP adjustments	205	482(1.i)	78(2.i)	765
- 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**

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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 $109 from the issuance of additional short-term debt and (2) the utilization of such amount plus $1,874 out of the historical balance of investments to pay $1,941 at the closing date of the Telecom restructuring and $42 of transaction expenses.

b. Reflects the reversal of historical capitalized foreign currency exchange losses of $42 associated with the restructured debt under the Telecom restructuring.

c. Reflects the charge to expense of unamortized debt issuance costs of $5 related to existing restructured debt.

d. Reflects the net effect of (1) the incurrence of additional short-term debt of $109 (see 1.a. above); (2) the forgiveness of accrued interest and penalty interest of $293; (3) the forgiveness of principal of $694; (4) the payment of principal of $1,941 (see 1.a. above); and (5) the gain on discounting the new debt of $438. Also reflects the reclassification of $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 $468 and (2) the reversal of the valuation allowance for $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 $105 would turn into a deferred tax asset of $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.

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:

	Gain (loss)
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	**(1,420)**

i. Represents the tax effects of: (1) the pro forma adjustments of the foregoing U.S. GAAP adjustments amounting to $482; and (2) the reversal of the valuation allowance for $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 $407 out of the historical balance of investments to pay $400 of principal and $7 of transaction expenses.

b. Reflects the reversal of historical capitalized foreign currency exchange losses of $9 associated with the restructured debt under the Telecom Personal restructuring.

c. Reflects the charge to expense of unamortized debt issuance costs of $1 related to existing restructured debt.

d. Reflects the net effect of (1) the forgiveness of accrued interest and penalty interest of $16; (2) the forgiveness of principal of $171; (3) the payment of principal of $400 (see 2.a. above); and (4) the gain on discounting the new debt of $47 (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 $76 and (2) the reversal of the valuation allowance for $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 basis would be permanent. Should the difference be regarded as permanent, the pro forma deferred tax asset of $8 would have been increased to $234.

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

	Gain (loss)
Forgiveness of accrued interest and penalty interest	16
Forgiveness of principal	171
Gain on discounting the new notes	47
Reversal of capitalized foreign currency exchange losses	(9)
Expense of unamortized debt issuance costs	(1)
Transaction expenses	(7)
Total pro forma adjustments before tax effects	**217**
Tax effects on pro forma adjustments	(76)
Decrease in valuation allowance	84
Net gain on the Telecom Personal restructuring	**225**

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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 5.5%). 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	(171)
Gain on discounting the new notes	(47)
Expense of unamortized debt issuance costs	1
Total reversal of adjustments	**(233)**

i. Represents the tax effects of: (1) the pro forma adjustments of the foregoing U.S. GAAP adjustments amounting to $78; and (2) the reversal of the valuation allowance for $99 that would not have been recognized under U.S. GAAP had the debt been restructured as of December 31, 2003.

Consolidated debt evolution (see 1.d and 2.d)

	Historical	**Forgiveness of principal**	**Forgiveness of interest**	**Gain on discounting the new debt**	**Payment of principal**	**Short-term debt**	**Reclassi-fication**	**Pro forma (Unaudited)**
Short-term debt								
Outstanding debt								
-Principal	9,145	(856)	528	(482)	(2,321)		(5,835)	**179**
-Accrued and penalty interest	851		(842)					**9**
New short-term debt						109		**109**
New debt							772	**772**
Total short-term debt	**9,996**	**(856)**	**(314)**	**(482)**	**(2,321)**	**109**	**(5,063)**	**1,069**
Long-term debt								
Outstanding debt								

-Principal	86	(9)	5	(3)	(20)		(32)	**27**
New debt							5,095	**5,095**
Total long-term debt	**86**	**(9)**	**5**	**(3)**	**(20)**		**5,063**	**5,122**
Total debt	**10,082**	**(865)**	**(309)**	**(485)**	**(2,341)**	**109**		**6,191**
Total debt (nominal)	10,102	(865)	(309)		(2,341)	109		6,696
Effect on discounting the debt	(20)			(485)				(505)
Total debt under Argentine GAAP	**10,082**	**(865)**	**(309)**	**(485)**	**(2,341)**	**109**		**6,191**

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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)	(111) (2.b)	253
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**	**(109)**	**580**
Income tax	7	(100) (1.d)	(70) (2.d)	(163)
Minority interest	(21)			(21)
Net income (loss)	**351**	**224**	**(179)**	**396**
Net income per share	**0.36**			**0.40**
Net income (loss) under Argentine GAAP	**351**	**224**	**(179)**	**396**
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)	89 (2.f)	356
- Other adjustments	6			6
- Tax effects on U.S. GAAP adjustments	(79)	(82) (1.g)	(29) (2.g)	(190)
- 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**	**(137)**	**728**
Net income per share under U.S. GAAP	**0.49**			**0.74**

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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 $514 recognized during the year ended December 31, 2003 and the recognition of accrued interest on the new debt of $364 for the year ended December 31, 2003; (2) the additional foreign currency exchange gains of $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 $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 $93; and (5) the reversal of the amortization of debt issuance costs of $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 $113 and (2) the reversal of the valuation allowance for $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 $24 (2) the effect of foreign currency exchange gains of $127 and (3) the reversal of the loss on accretion of new notes of $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 $82 and (2) the reversal of the valuation allowance for $3 that would not have been recognized had the debt been restructured at the beginning of the year ended December 31, 2003.

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 $90 recognized during the year ended December 31, 2003 and the recognition of accrued interest on the new debt of $86 for the year ended December 31, 2003; (2) the reversal of foreign currency exchange gains of $94 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 $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 $24.

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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 $38 and (2) the reversal of the valuation allowance decrease for $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 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 5.5%). 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 $17 (2) the effect of foreign currency exchange gains of $48 and (3) the reversal of the loss on accretion of new debt of $24.

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 $29 and (2) the reversal of the valuation allowance decrease for $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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CAPITALIZATION

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	160	55
Total cash and banks and current investments (3)	2,467	842	186	64
Short-term Debt:				
Short-term debt	9,145	3,121	1,069	365
Accrued and penalty interest	851	290		
Total short-term debt	9,996	3,411	1,069	365
Long-term Debt:				
Long-term debt	86	160	5,122	1,748
Total long-term debt	86	160	5,122	1,748
Total debt(4)	10,082	3,440	6,191(5)	2,113
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)	(1,681)	(574)
Total shareholders equity	1,168	399	2,624	896
Total capitalization (7)(8)	1,254	428	7,746	2,644

(1) As stated in Telecom s consolidated financial statements as of and for the year ended December 31, 2003.
(2)

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 May 7, 2003 the closing exchange rate (ask price) quoted by Banco Nación was P$2.922 = 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$2,749 million) (including the U.S. dollar equivalent, in the case of debt denominated in other currencies).

(5) The nominal (contractual) amount of total debt, as adjusted to give effect to the restructuring, is

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approximately P$6,636 million (the equivalent of approximately US$2,265 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.

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 GAAP.

Accounting Changes

Effective October 1, 2000, we adopted changes in certain accounting policies. The following is a summary of these changes:

- adopting income tax deferral method;
- charging pre-operating costs to income in the period in which incurred; and
- charging customer acquisition costs to income in the period in which incurred.

The adoption of these changes in accounting policies has been accounted for as a retroactive adjustment, as required by Argentine GAAP. Financial information included herein as of and for the year ended September 30, 1999 has been restated for these changes.

Recent Accounting Pronouncements   Argentine GAAP

As explained in Operating and Financial Review and Prospects Recent Accounting Pronouncements (Argentine GAAP), on January 14, 2003, the CNV approved RT 16, 17, 18, 19 and 20 of the FACPCE which establish new accounting and disclosure principles under Argentine GAAP. These new standards were adopted early by Telecom, as permitted by the resolution, as of January 1, 2002. Financial information included herein as of and for the years ended 2001 and 2000 and for the year ended September 30, 1999 has been restated for these changes.

We maintain our financial books and records and prepare our financial statements in pesos in conformity with Argentine GAAP, which differ in certain significant respects from U.S. GAAP. For a summary description of the principal differences between Argentine GAAP and U.S. GAAP, see Note 16 to our consolidated financial statements as of and for the year ended December 31, 2003.

Unconsolidated Financial Information

For information regarding our financial and operating results on an unconsolidated basis see Note 15 to our consolidated financial statements as of and for the year ended December 31, 2003.

Exchange Rates

The exchange rate in effect as reported by *Banco Nación* as of December 31, 2003 was P$2.93=US$1.00. For additional information regarding exchange rates, see Background and Reasons for the APE solicitation Exchange Rates and Controls.

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CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET DATA

As a result of the restructuring process, including the APE solicitation, our financial position and results of operations presented as of and for the years presented below may not be indicative of our future results of operations.

	As of and for the Year Ended December 31				As of and for the Year Ended September 30
	2003	2002	2001	2000	1999
	(P$ millions, except per share and per ADS data and other data)				
INCOME STATEMENT DATA(1)					
Argentine GAAP Amounts					
Net Sales	3,753	4,012	7,056	7,403	7,351
Cost of services, general and administrative and selling expenses	(3,646)	(4,216)	(6,183)	(6,196)	(5,664)
Operating income/(loss)	107	(204)	873	1,207	1,687
Other (net)(2)	(139)	(5,486)	(661)	(603)	(529)
Gain on repurchase of debt	376				
Income tax	7	1,304	(112)	(242)	(461)
Net income/(loss)	351	(4,386)	100	362	697
Operating income/(loss) per share(3)	0.11	(0.21)	0.89	1.23	1.71
Operating income/(loss) per ADS(4)	0.54	(1.04)	4.43	6.13	8.57
Net income/(loss) per share(3)	0.36	(4.46)	0.10	0.37	0.71
Net income/(loss) per ADS(4)	1.78	(22.28)	0.51	1.84	3.54
Dividends per share(3)(5)(6)				0.47	0.60
Dividends per ADS(4)(5)(6)				2.38	3.00
U.S. GAAP Amounts(7)					
Operating income/(loss)	53	(267)	743	1,112	1,495
Net income/(loss)	485	(1,653)	(3,501)	312	668
Net income/(loss) per share(3)	0.49	(1.68)	(3.56)	0.32	0.68
Net income/(loss) per ADS(4)	2.46	(8.40)	(17.78)	1.58	3.39
BALANCE SHEET DATA(1)					
Argentine GAAP					
Current assets	3,215	2,103	2,650	3,126	3,418
Fixed assets, net	8,001	9,689	10,613	11,340	10,989
Total assets	12,301	12,941	14,559	15,729	15,724
Current liabilities(8)	10,715	11,742	4,012	3,820	3,570
Non-current liabilities	365	345	5,318	6,312	6,490
Minority Interest	32	9	26	26	32
Foreign currency translation adjustments	21	28			
Total shareholders equity	1,168	817	5,203	5,571	5,632
Total liabilities, minority interest, foreign currency translation adjustment and shareholders equity	12,301	12,941	14,559	15,729	15,724
Common stock	984	984	984	984	984
U.S. GAAP Amounts(7)					
Total assets	11,661	12,156	15,214	15,758	15,794

Current liabilities	10,715	11,742	12,851	3,820	3,559
Non-current liabilities	455	389	853	6,369	6,527
Minority interest	35	35	41	26	34
Total shareholders equity	456	(10)	1,469	5,543	5,674
OTHER DATA					
Ratio of earnings to fixed charges(9) (unaudited)					
Argentine GAAP	1.7		1.2	1.8	2.9
U.S. GAAP	2.0			1.7	3.1

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(1) Figures for the year ended December 31, 2003 reflect adjustments for inflation until February 28, 2003. Figures for year 2002 reflect the adoption of inflation accounting for the entire period. Figures for years 2002, 2001, 2000 and 1999 have been restated in constant pesos as of February 28, 2003 for comparative purposes. See Presentation of Financial Information and Selected Financial Data Inflation Accounting.

(2) Other (net) includes equity gain (loss) from related companies, amortization of goodwill, financial results, net, other expenses, net and minority interest.

(3) Calculated based on 984,380,978 shares outstanding during each year.

(4) Calculated based on 196,876,196 ADSs outstanding in each year. Dividend figures do not give effect to any charges of the depositary of Telecom s ADSs.

(5) No dividends were paid for years 2001, 2002 and 2003. See Dividend Policy and Dividends.

(6) Figures have been restated for inflation and do not represent nominal amounts as of payment dates. Payment under year 2000 column includes payments of dividends for fiscal years ended December 31, 2000 and September 30, 2000 as a result of Telecom s change of fiscal year-end from September 30 to December 31 effective as of January 1, 2001. See Presentation of Financial Information and Dividend Policy and Dividends.

(7) For information concerning certain differences between Argentine GAAP and U.S. GAAP as applied to the Financial Statements and for the related effects of the significant differences in operating income, net income and shareholders equity, see Note 16 to our financial statements as of and for the year ended December 31, 2003.

(8) As a result of our payment defaults, our creditors have the right to accelerate substantially all of our financial indebtedness. Accordingly, we have classified all our debt as a current liability in our December 31, 2003 and 2002 balance sheets.

(9) 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 ratio related to 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 US GAAP for the years ended December 31, 2002 and 2001, respectively.

Consolidated and Unconsolidated Financial Information.

See our consolidated financial statements for the years ended December 31, 2003, 2002 and 2001 beginning on page F-1. For a description of events that have occurred since the date of our most recent financial statements see Information on Telecom Recent Developments.

Telecom s compliance with certain covenants to be contained in the notes will be measured based on Telecom s financial results excluding Telecom Personal and its subsidiaries. See Description of the Notes.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the audited consolidated financial statements as of and for the years ended December 31, 2003, 2002 and 2001 included elsewhere in this solicitation statement.

Financial data as of and for the year ended December 31, 2003 reflects adjustments for inflation until February 28, 2003. Financial data as of and for the fiscal year ended December 31, 2002 and 2001, the twelve-month period ended December 31, 2000 and the fiscal year ended September 30, 1999 has been restated in constant pesos as of February 28, 2003 for comparative purposes. See Presentation of Financial Information and Selected Financial Data Inflation Accounting for a discussion of accounting presentation relating to inflation.

The continuing recession and political and economic crisis in Argentina in recent years has materially and adversely affected Telecom s business. Because of the political and economic instability in Argentina and Telecom s plans to restructure its outstanding debt pursuant to the APE, the following discussion may not be indicative of Telecom s future results of operations, liquidity or capital resources and may not contain all of the necessary information to help compare the information contained in this discussion with results from previous or future periods. Accordingly, the following discussion should be read in conjunction with, and is qualified in its entirety by, the risk factors described in 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 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 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 .

Economic and Political Developments in Argentina

The substantial majority of Telecom s property and operations are located in Argentina. The Argentine government has exercised and continues to exercise significant influence over many aspects of the Argentine economy. Accordingly, Argentine governmental actions concerning the economy could significantly affect private sector entities in general, and Telecom in particular, as well as affect market conditions, prices and returns on Argentine securities, including those of Telecom. In the past several years, Argentina has experienced negative growth, high inflation, a large currency devaluation, loss of international reserves and limited availability of foreign exchange. Although the Argentine economy has shown signs of improvement in 2003, developments in macroeconomic conditions will likely continue to have a significant effect on Telecom s financial condition and results of operations and Telecom s ability to make payments of principal and/or interest on its indebtedness.

Economic and Political Developments

Argentina entered into an economic recession in the second half of 1998 in the context of financial crises in emerging markets (including in Asia, Russia and Brazil). The recession in Argentina deepened further as public sector accounts began to be affected by the decrease in tax collections due to the recession and high interest rates on Argentina s sovereign debt. Argentine real gross domestic product decreased 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 8.7% in 2003 over 2002.

Beginning in the second half of 2001 through the first half of 2002, Argentina experienced increased capital outflows, further decreases in economic activity and political infighting. As the recession caused tax revenue to drop, country risk spreads (the difference between a sovereign bond and a US bond of similar duration) climbed to extremely high levels, reflecting the public sector s diminished creditworthiness. Financing for private sector companies was effectively eliminated under these circumstances. In January 2002 the Argentine government abandoned the Convertibility Law which fixed the peso/U.S. dollar exchange rate at 1:1 and adopted emergency economic measures which, among other things, converted and froze our tariffs into pesos at a 1:1 peso/U.S. dollar ratio (sometimes referred to as pesification).

The rapid and radical nature of changes in the Argentine social, political, economic and legal environment created a very unstable macroeconomic environment. Capital outflows increased in the first half of 2002, leading to a massive devaluation of the peso and an upsurge in inflation. In the six-month period ended June 2002, the consumer price index increased 30.5%. During this period the value of the peso compared to the U.S. dollar declined to a low of P$3.80=US$1.00 as of June 30, 2002 before improving to P$3.37=US$1.00 at December 31, 2002 and P$2.93=US$1.00 at December 31, 2003. See Background and Reasons for the APE

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Solicitation Exchange Rates and Controls. As a result, commercial and financial activities in Argentina decreased significantly in 2002, further aggravating the economic recession. Real gross domestic product dropped by an estimated 10.9% in 2002 and the unemployment rate rose to a high of 21% as of May 2002.

The Argentine economy improved marginally during 2003. The peso appreciated against the U.S. dollar, from P$3.37 per US$1.00 at December 31, 2002, to P$2.835 per US$1.00 at April 30, 2003, to P$2.80 per US$1.00 at June 30, 2003, to P$2.915 per US$1.00 at September 30, 2003 and to P$2.93 per US$1.00 at December 31, 2003. In addition, economic activity began to recover in comparison to 2002 as consumers in Argentina purchased more domestic goods compared to imported products since the peso devaluation had caused imports to become even more expensive in comparison to locally produced goods. The impact of this import substitution resulted in a trade balance surplus of approximately US$15.6 billion in the twelve-month period ended December 2003. 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, and Argentine real gross domestic product is still far below pre-crisis levels. Moreover, while the key components of our business remain strong in 2003 and our operating results have been enhanced by the appreciation of the Argentine peso and the impact of our cost reduction initiatives, resulting in net income of P$351 million for the year ended December 31, 2003 compared to a 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.

Inflation

The changes introduced in Argentina over the past few years, as discussed in Background and Reasons for the APE Solicitation have triggered significant inflation, although such inflation slowed in 2003. The cumulative increase in the consumer price index was 41% in 2002 and 3.7% in 2003. The wholesale price index increased 118% in 2002 and 1.9% in the year ended December 31, 2003, as reported by the *Instituto Nacional de Estadística y Censos* (the Argentine National Statistic and Census Institute), or INDEC. For the first three months of 2004, the increase in the consumer price index was 1.1%, and the increase in the wholesale price index was 1.6%, as reported by INDEC.

Ongoing Restructuring Efforts

As a consequence of a number of developments, including the deterioration of the economic environment in Argentina, the devaluation and volatility of the peso, the conversion into pesos and freezing of Telecom s rates at the ratio of P$1.00=US$1.00 and uncertainties surrounding the adjustment of Telecom s regulated rates, in the first half of 2002, Telecom announced the suspension of payments of principal and interest on its and its Argentine subsidiaries financial debt obligations. Since announcing the suspension of principal and interest payments on their financial indebtedness, each of Telecom, Telecom Personal and Publicom have been working with their financial advisors to develop a comprehensive plan to restructure all of their respective financial debt obligations and have taken the following steps to restructure their respective financial indebtedness.

Interest Payments

In June 2003, Telecom made an aggregate interest payment equal to the equivalent of US$96 million (excluding withholding taxes), Telecom Personal made an aggregate interest payment equal to the equivalent of US$13 million (excluding withholding taxes) and Publicom made an aggregate interest payment equal to the equivalent of US$0.04 million (excluding withholding taxes). These interest payments represented all accrued but unpaid interest on each respective entity s outstanding financial indebtedness to and including June 24, 2002 (without giving effect to any penalties or post-default interest rate increases) and 30% of all accrued but unpaid interest (without giving effect to any penalties or post-default interest rate increases) on the outstanding principal of each entity s respective outstanding financial indebtedness for the period beginning on June 25, 2002 and ending on December 31, 2002.

Repurchase and Cancellation of Outstanding Indebtedness

In June 2003, Telecom purchased and cancelled an aggregate principal amount equal to the equivalent of approximately US$175 million of its outstanding medium term notes and US$34 million of its outstanding indebtedness under credit facilities with financial creditors (approximately 11% of its outstanding medium term notes and 4% of its indebtedness under credit facilities with financial creditors as of December 31, 2002), for aggregate consideration of the equivalent of US$115 million. Telecom purchased all of this financial indebtedness at a purchase price of 55% of the original principal amount.

Effective as of June 13, 2002, Telecom Personal refinanced US$60 million of its indebtedness under promissory notes held by the TITAN financial trust. See Note 8 to our consolidated financial statements as of and for the year ended December 31, 2003. Also in June 2003, Telecom Personal purchased and cancelled the equivalent of approximately US$80 million aggregate principal amount of its outstanding indebtedness under credit facilities with financial creditors (approximately 13% of its outstanding indebtedness as of December 31, 2002) for aggregate consideration equal to the equivalent of US$44 million. Publicom also purchased and cancelled the equivalent of US$4 million aggregate principal amount of its outstanding indebtedness with financial creditors (90% of its outstanding indebtedness as of December 31, 2002) for aggregate consideration of the equivalent of US$2 million. Telecom Personal and Publicom each purchased all such financial indebtedness at a purchase price of 55% of the original principal amount.

In April 2003, Núcleo S.A., or Núcleo, our Paraguayan mobile telephony subsidiary, reached an agreement with certain of its creditors to restructure approximately the equivalent of US$13.8 million principal amount of its total financial indebtedness, of which US$3.1 million was repaid as of December 31, 2003. Núcleo is currently in negotiations to refinance its remaining financial debt obligations, including its syndicated loan agreement, which amounted to US$59 million as of December 31, 2003 (including accrued but unpaid interest penalties and post-default interest rate increases). Because Núcleo s restructured loan agreement includes a cross default suspension clause that expires on June 30, 2004, Núcleo may have to renegotiate its restructuring with all of its lenders if an agreement to refinance its remaining financial indebtedness is not completed by June 30, 2004 and any of the lenders whose loans have already been refinanced chooses to exercise its right of cross default.

In October 2003, Publicom repurchased all of its remaining financial indebtedness pursuant to an arrangement with one of its financial creditors. As a result of this and Publicom s earlier debt repurchases carried out in June 2003, Publicom has effectively repaid or repurchased 100% of its financial indebtedness.

Telecom Restructuring Proposal and APE Solicitation

We have engaged in discussions and negotiations with an ad hoc committee formed by six of our lenders under our credit facilities, or the Committee, including discussions on alternative proposals to effect a restructuring of our outstanding debt. We have also engaged in discussions and negotiations with representatives of certain of our bondholders. Although we believe that we have addressed most of the principal concerns raised by our creditors in our discussions with them and have developed a comprehensive plan to restructure our outstanding debt pursuant to an *acuerdo preventivo extrajudicial* as set forth in this solicitation statement, our restructuring plan does not address all of the concerns of our creditors, including creditors who are not participants on the Committee. See The APE Solicitation and Description of the APE.

Telecom Personal Restructuring Proposal

Concurrently with our APE solicitation, Telecom Personal is conducting an APE solicitation in which it is soliciting its existing creditors to grant a power of attorney to execute an APE on their behalf, or commit to execute an APE directly, under which Telecom Personal will restructure the equivalent of approximately US$599 million of its outstanding unconsolidated debt as of December 31, 2003, including approximately the equivalent of US$27 million principal amount of intercompany obligations owed to Telecom as of December 31, 2003, by issuing new debt instruments 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 new debt instruments 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. Telecom 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 in this solicitation statement.

Telecom Personal s debt restructuring proposal does not include Telecom Personal s guarantee of approximately the equivalent of US$42.6 million principal face amount of financial indebtedness of Núcleo. 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 restructuring proposal in a manner in which 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.

Factors Affecting Results of Operations

Described below are certain factors that may be helpful in understanding our overall operating results. These

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factors are based on the information currently available to our management and may not represent all of the factors that are relevant to an understanding of our current or future results of operations. See Special Note Regarding Forward-Looking Statements and Risk Factors.

Our operating revenues are derived principally from basic telephony services. Basic telephony services includes local and long-distance telephone services, public telephones, installation charges, interconnection services and supplementary services. Telecom also provides international long distance, data transmission and Internet services. Through its subsidiaries, Telecom also derives revenues from other telephone-related services such as cellular telephone services and directory publishing.

Basic telephony services are provided directly by Telecom. Telecom s cellular telephone services are provided in Argentina through Telecom s 99.99% owned subsidiary, Telecom Personal, and in Paraguay through Núcleo, a 67.5% owned subsidiary of Telecom Personal. Telecom s telephone directory publishing business is conducted through Publicom, a 99.99% owned subsidiary of Telecom. Telecom Argentina USA, a wholly owned subsidiary of Telecom, operates as a wholesale supplier of international telephone services.

Net Sales

The principal factors which affect Telecom s net sales are rates and the volume of use of services. As described below, the effect of macroeconomic conditions, rate regulation and competition have had a significant effect on net sales in recent periods and are expected to continue to have a significant effect on net sales.

*Impact of Political and Economic Environment in Argentina on Net Sale*s. Levels of economic activity affect the volume of local and long-distance traffic, the demand for new lines and the levels of uncollectible accounts and disconnections. Demand for our services and the amount of revenues we collect is also affected by inflation. See Summary Future of Telecom if the Restructuring is Successful for a description of Telecom s current assumptions regarding future exchange rates, inflation and gross domestic product.

*Effect of Rate Regulation on Net Sale*s. The rates that Telecom charges in its basic telephony service business (including both monthly basic charges and measured service charges), installation charges in the basic telephony business, public telephone charges and charges for Internet dial up traffic are subject to regulation. These rates have been pesified and rate increases have been frozen by the Argentine government. Absent the Argentine government s approval of an increase in regulated rates, future revenue from our basic telephony business service will depend principally on the number of lines in service and the minutes of use or traffic for local and long distance services. Telecom has been in discussions with regulators with respect to rate adjustments. However, there can be no assurance as to whether, and to what extent, Telecom will be permitted to increase its regulated rates. In the first quarter of 2004, the Argentine government announced that it would apply some increases in gas and electricity tariffs for certain wholesale and large industrial customers only. The government has not made any announcements with respect to adjusting regulated rates for telecommunications services.

*Effect of Competition on Net Sale*s. The market for telecommunications services has been open to competition since 2000. In the periods leading up to the Argentine economic crisis, the Argentine telecommunications market became increasingly competitive. Although the economic crises have affected the operations of some of our competitors, the environment recently has been, and is expected to be, increasingly competitive as the Argentine economy recovers. In particular, Telecom expects that the domestic and international long-distance service, internet and cellular services will continue to be affected by competitive pressure.

These factors are expected to influence net sales in each of Telecom s principal business segments as described below.

Basic Telephony Business. As noted above, in the absence of rate adjustments, net sales in the basic telephony business will primarily depend upon the number of customers and the volume of traffic. Telecom anticipates that the number of lines in service and traffic will continue to gradually increase as the country recovers from economic recession. Nonetheless, Telecom does not expect to attain pre-crisis levels in these measures in the near future. We expect that overall penetration rates for fixed line service in Argentina will increase from approximately 21% at December 31, 2003 to approximately 23% at year-end 2011. We estimate that our total lines in service will be approximately 4,050,000 by 2011.

Although Telecom expects that net sales from public telephones will increase in the next few years, Telecom expects that net sales from public telephones will decline as a percentage of net sales. Interconnection fee revenues in future periods will be impacted by traffic volume, which is expected to increase in a manner which is consistent with overall economic activity. Telecom believes that revenues from international long-distance service will continue to decrease as a result of competition, lower relative pricing and decreasing market share.

Telecom expects that its percentage of revenues derived from data transmission will continue to increase over

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the next several years despite competitive pressures, principally as a result of increased traffic volume and connections driven by gross domestic product growth. We expect net sales from Internet services to continue to grow as a result of increased penetration of Internet services, higher traffic volumes and increases in the non-regulated business rates.

Wireless Telecommunication. Growth in this revenue component is dependent on increased usage of wireless telecommunication service and an increase in rates charged for this service, a substantial part of which is not regulated but is subject to competitive pressures. While we experienced an increase in our cellular customer base during the economic crisis, our customers have switched to lower revenue generating plans, such as restricted use and prepaid plans. Our cellular customer base is expected to continue to grow at a faster rate than growth in the customer base for basic telephony services. We expect that Telecom Personal s subscribers will increase in coming years, particularly prepaid subscribers, as Argentina gradually recovers from the recession. We estimate that we will reach a total of five million subscribers in or near 2011. However, average usage of wireless telecommunication service per user is expected to decline in the longer term as the customer base expands to incorporate lower-volume customers.

Cost of Services, General and Administrative and Selling Expenses

During fiscal year 2002, we implemented a cost reduction plan. Through this plan, we aimed to reduce costs by reducing our number of employees, lowering our media advertising, promotional and institutional campaign expenses, reducing our overhead costs, maintenance expenses and service fees, reducing levels of non-paying customers, improving the collection of our accounts and controlling our level of capital expenditures.

Our number of employees increased by 3.6% between December 31, 2002 and December 31, 2003 as a net result of the addition in October 2003 of 1,393 employees who had previously worked for us as employees of third-party contractors, which more than offset the reduction of employees under our cost reduction plan.

Our employees are both unionized and non-unionized. The wages of the unionized employees are subject to a collective bargaining agreement and to regulation by the Argentine government. Unionized wages were increased in July 2002, January 2003, March 2003 and May 2003. In addition, in July 2003, the Argentine government imposed a definitive, fixed increase in basic wages for employees covered by collective bargaining agreements. In September 2003 we signed an agreement with certain trade unions that provides for wage adjustments for the employees represented by these unions and our non-union employees received a salary increase and an extraordinary bonus. During the last quarter ended December 31, 2003, we experienced an approximately 23% increase in wage costs compared to the same three-month period in 2002, as a result of higher wages, extraordinary bonuses, higher labor taxes and the addition of new employees previously under third-party contracts. We expect that our wage costs will increase approximately 13% in 2004 as a result of the net impact of these wage increases and the increase in the number of employees. We expect that employee costs will be slightly higher in future periods as compared to levels experienced in 2003.

We incur materials and supplies charges which are directly related to the maintenance of our network, hardware and software. A significant portion of these expenses is incurred in currencies other than the peso. Accordingly, any devaluation in the peso relative to these other currencies will increase our costs. During 2002 and 2003, our maintenance expense levels were lower than our historical levels. We expect to incur higher maintenance expenses in the coming years in order to maintain the quality of our fixed-line services. Near-term maintenance costs are expected to increase in order to satisfy Telecom s operational needs arising from under-investment in 2002 and 2003.

We pay interconnection fees to other operators for access, termination and long-distance transport for calls placed or received from those locations in the Southern Region where we do not have network coverage. We anticipate that these costs will increase in line with growth in traffic volumes associated with economic recovery and any applications of CER adjustments.

We pay fees for various services such as legal, security and auditing services and other management services. Since 2002 we have also incurred fees in connection with our debt restructuring process, although we expect these costs will be eliminated once the APE is consummated. Management fees have been significantly reduced in recent years as a result of the suspension of the management fees paid to the Operators, although this reduction has been partially offset by an increase in fees related to the restructuring.

We also incur costs for media, advertising, promotional and institutional campaigns. Although we have reduced these expenses in recent years as part of our cost reduction plan, we expect that these costs will increase in coming years as the economy improves and competition increases particularly with respect to our cellular and ADSL services, where our competitors have accelerated their technological upgrades and have intensified their marketing campaigns.

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Our bad debt expense is generally affected by the economic and political environment in Argentina. At the beginning of the recession we experienced an increase in bad debt expense, but we have recently experienced reduced bad debt expense as customers with weaker credit have discontinued our service and we have collected amounts from overdue accounts. We expect that increases in our customer base in future periods will likely cause a corresponding increase in our levels of uncollectibles. We expect bad debt expense to gradually return to historical levels (approximately 3% of sales).

As a result of the foregoing factors, total expenses in future periods are expected to increase at a rate slightly higher than our revenue growth. Operating costs, including sales and marketing expenses, are expected to grow at a faster rate than other costs.

Factors affecting Telecom s results in 2003 have resulted in operating margins that are higher than our historical average. These factors include an unusually low level of maintenance of fixed assets, unusually low sales and marketing costs, temporarily low levels of bad debt expense resulting from a financially stronger subscriber base, the collection of past due accounts, and lower employee costs than can be expected for future periods. Telecom s management believes that the operating margins experienced in 2003 are not sustainable, and expects that, on average, over the 2004-2011 period operating margins will decline to historical levels.

Gain on Repurchase of Debt

Gain on repurchase of debt represents the gain resulting from our repurchase of a portion of our outstanding financial indebtedness in the cash tender offer completed in June 2003. See Note 12 to our consolidated financial statements as of and for the year ended December 31, 2003.

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 after the exchange. Argentine GAAP provides 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. In accordance with Argentine GAAP, Telecom may recognize a gain on the extinguishment of the outstanding debt upon consummation of the APE.

Other (Net)

Other (Net) includes financial and holding results, other income and expenses (net) and investments in subsidiaries. The majority of our revenues are received in pesos whereas the majority of our financial indebtedness is, and after the APE will continue to be, substantially denominated in U.S. dollars and euro. Consequently, the pesification of our rates and subsequent fluctuations in the exchange rates between the peso and the U.S. dollar and euro have affected and will continue to affect the amount of our revenues in comparison to our debt service obligations.

In accordance with Technical Resolution No. 6 of the FACPCE, financial items included in the income statement are presented after taking into account the effects of inflation to the extent inflation accounting is required for that period. See Significant Accounting Policies Accounting for

Inflation. Gains and losses from monetary position represent the effects of inflation on Telecom s monetary liabilities and assets. See Selected Financial Data. Accordingly, financial and holding results are subject to significant fluctuations based on the depreciation or appreciation in the peso relative to other currencies and reflect the impact of the adjustments for inflation required until February 28, 2003.

Our expectations regarding our future revenues, expenses and profits as described above are based on certain macroeconomic assumptions. We have made assumptions that we believe are conservative because these macroeconomic assumptions involve factors that are not within our control. The expectations and assumptions described 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 our expectations and assumptions as a result of various factors, including the factors discussed under Risk Factors and Special Note Regarding Forward-Looking Statements.

Critical Accounting Policies

Telecom s financial statements are prepared in accordance with Argentine GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of

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assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Management continually evaluates its estimates and judgments based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Telecom s accounting polices are more fully described in the Notes to its consolidated financial statements as of and for the year ended December 31, 2003, particularly Notes 3, 4, 10 and 12. Management believes that the following are some of the more critical judgment areas in the application of accounting policies that currently affect Telecom s financial condition and results of operations.

Income Taxes Deferred tax assets and tax credit on minimum presumed income

As of December 31, 2003 and December 31, 2002, Telecom had significant deferred tax assets which were generated principally by the devaluation of the peso. The recoverability of these deferred tax assets is assessed periodically. In accordance with Argentine GAAP, the recoverability of these assets depends on the existence of sufficient taxable income to offset against the tax credits within the carryforward period available under the tax law.

The Argentine government, through Decree No. 2568/02, stated that foreign currency exchange losses arising from holding assets and liabilities denominated in foreign currency as of January 6, 2002 had to be determined using an exchange rate of US$1=P$1.40. The net foreign currency exchange loss resulting from this calculation procedure (P$1.40 minus P$1.00) was to be considered deductible, for income tax purposes, at a rate of 20% per year commencing in fiscal year 2002. As of December 31, 2002, the exchange rate was US$1=P$3.37. Under the terms of Decree No. 2568/02, the difference between P$1.40 and P$3.37 was to be deducted entirely for income tax purposes in fiscal year 2002. Telecom and its tax advisors, in contrast, had interpreted Decree No. 2568/02 to require the entire amount (P$3.37 minus P$1.00) to be deducted for income tax purposes at a rate of 20% per year commencing in fiscal year 2002 through fiscal year 2006.

Since Telecom s management has determined that it is more likely than not that some portion or all of the net deferred tax assets will not be realized, management has recorded a reserve as of December 31, 2002 and December 31, 2003 for the total value of Telecom s and Telecom s Personal s deferred tax credits. Management s judgments regarding the probability that these tax credits will be recognized may change based on future conditions particularly changes in exchange rates, the outcome of pending rate renegotiations with the Argentine government, the successful restructuring of debt obligations and other factors. These changes may require material adjustments to these deferred tax asset balances.

Telecom has also recorded an asset of P$151 million as of December 31, 2003 relating to the value of its tax credit related to minimum presumed income. Since this tax credit may be used in the next ten years, the Board of Directors of Telecom estimates that, based on current economic projections, the recoverability of this tax credit is more likely that not. Therefore, no reserve was recorded under Argentine GAAP as of December 31, 2003 against the tax credit for minimum presumed income.

Under U.S. GAAP, SFAS 109 provides more specific and strict rules relating to the evaluation of the recoverability of deferred tax assets. Under SFAS 109, when deciding whether to reserve against any deferred tax asset, an enterprise must consider several positive and negative factors and make a judgment as to whether to record a total or partial valuation allowance against these assets. Negative factors to be considered include uncertainties that may adversely affect operations and profit levels on a continuing basis in future years and whether the length of the carryforward period is so brief that it would limit the realization of the tax credit.

Although Telecom s financial projections indicate that Telecom may be able to recover the tax credits related to the minimum presumed income tax credits of Telecom and Telecom Personal, due to the current macroeconomic environment and uncertainties surrounding Telecom s and Telecom Personal s business, the information provided in Telecom s financial projections is not considered sufficient evidence of the recoverability of its tax credits under the criteria established by SFAS 109. Therefore, for purposes of Telecom s reconciliation of Argentine GAAP to U.S. GAAP, Telecom has recorded a valuation allowance for the full amount of the minimum presumed income tax credits as of December 31, 2003 under U.S. GAAP.

Fixed and intangible assets Estimated useful lives and recoverability

Telecom has significant tangible and intangible assets. The determination of the estimated useful lives of these assets and whether or not these assets are impaired involves significant judgment.

These assets have been depreciated based on their useful lives which is estimated for each class of fixed and intangible assets. Whether the applicable depreciation rates are reasonable must be considered in the context of the deregulation and increased competition which has characterized the Argentine telecommunications market since October 1999.

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As a consequence of its review of the useful lives of Telecom s fixed assets performed in the year 2001 by an independent specialist, Telecom determined that the remaining lives of the copper external wiring and related infrastructure should be extended due to the development of the ADSL (Asymmetric Digital Subscriber Line) technology and the massive deployment of its services during the year 2001. Therefore, Telecom extended the remaining useful life assigned to these assets by 5 years and adopted new depreciation rates and a broader classification for the new assets as of January 1, 2001.

The recoverable value of fixed and intangible assets depends on the ability of these assets to generate sufficient net cash flows to absorb the net book value of these assets during the estimated useful lives of such assets. The management of Telecom periodically evaluates the recoverable value of its fixed and intangible assets by preparing economic and financial projections which provide for alternative scenarios based on macroeconomic, financial and telecommunications market hypothesis that are both probable and conservative.

Argentine GAAP requires Telecom to assess whether the carrying amount of an asset is recoverable by estimating the sum of the undiscounted future cash flows expected to be derived from the asset. If the recoverable amount is less than the carrying amount, an impairment charge must be recognized. The amount of the impairment charge to be recognized should be based on the sum of the discounted future cash flows. This methodology is similar to the methodology provided by SFAS 144 under U.S. GAAP. Telecom analyzed the recoverability of the carrying values of its fixed assets using the methodology required by Argentine GAAP and determined that, assuming that its tariffs are effectively renegotiated, the value of its fixed assets and intangible assets is recoverable. Changes in Telecom s current expectations and operating assumptions, including changes in Telecom s business strategy, technology evolution, and/or changes in market conditions, as well as changes in future cash flow estimates due to, among other things, the outcome of the pending tariff negotiations with the Argentine government, could significantly impact these judgments and require future adjustments to recorded assets.

Intangible assets with indefinite useful life PCS license

Beginning in year 2002, in accordance with new Argentine accounting standards, Telecom stopped amortizing the value of its PCS license because this license is an intangible asset with an indefinite useful life.

In accordance with Argentine GAAP, Telecom assessed whether the carrying amount of this license is recoverable by estimating the sum of the undiscounted future cash flows expected to be derived from this asset and did not find that the book value of the PCS license to be impaired.

SFAS No. 142, under U.S. GAAP, requires that intangible assets with indefinite useful lives should not be amortized but should be tested for impairment by comparing the asset s book value to its estimated fair value. Based on Telecom s assessment of the recoverability of its PCS license, using the methodology required by SFAS No. 142, Telecom concluded that the current book value of the asset is not impaired.

The recoverability of an indefinite life intangible asset such as the PCS license requires Telecom s management to make assumptions about the future cash flows expected to be derived from such asset. Management s judgments regarding future cash flows may change due to future market conditions, business strategy, technology evolution and other factors. These changes, if any, may require material adjustments to the book value of the PCS license.

Contingencies

Telecom is subject to proceedings, lawsuits and other claims related to labor, civil and other matters. In order to determine the proper level of reserves relating to these contingencies, Telecom s management assesses the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. Telecom s management consults with internal legal counsel on matters related to litigation and consults with internal and external experts in the ordinary course of business. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. Telecom s determination of the required reserves may change in the future due to new developments in each matter or changes in Telecom s method of resolving such matters, such as a change in settlement strategy.

Capitalization of foreign currency exchange differences related to debt for fixed asset acquisitions.

As a consequence of the significant devaluation in the peso during the year 2002, the CPCECABA issued Resolution No. 3/02, which was subsequently adopted by CNV General Resolution No. 398. This resolution provides that any exchange rate differences arising on or after January 6, 2002 relating to liabilities denominated in foreign currency as of such date must be allocated to the cost of assets for which such liabilities were incurred (for example the assets constructed or refinanced with the proceeds of a debt financing) in accordance with the terms and conditions of the professional standards.

Under CNV General Resolution No. 398, a company may choose to, but is not required to, capitalize foreign

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exchange differences related to debt for fixed asset acquisitions, as described above. Under the CPCECABA Resolution No. 3/02, however, capitalization of foreign exchange differences related to debt for fixed asset acquisitions was mandatory. Telecom capitalized its foreign exchange differences related to debt for fixed asset acquisitions in accordance with CNV General Resolution No. 398. On July 28, 2003 the CPCECABA issued Resolution CD No. 87/03 which eliminated Resolution No. 3/02. Consequently, since July 29, 2003, Telecom has discontinued the capitalization of foreign currency exchange differences related to debt for fixed asset acquisitions. Under U.S. GAAP, the capitalization of foreign exchange differences related to debt for fixed asset acquisitions is not permitted. See Note 16 to Telecom s consolidated financial statements as of and for the year ended December 31, 2003.

Significant Accounting Policies

The following accounting policies do not generally require management to make critical estimates and judgments comparable to those described under Critical Accounting Policies. However, we believe that a description of these key accounting policies will facilitate an analysis and understanding of our financial statements. The information set forth below should be read in conjunction with the more detailed information regarding our accounting policies set forth in the Notes to our consolidated financial statements, particularly Notes 3, 4, 10 and 12 to our consolidated financial statements as of and for the year ended December 31, 2003.

Accounting for Inflation

Telecom s consolidated financial statements have been prepared in constant pesos recognizing the effects of wholesale inflation. In July 2002, the Argentine government issued Decree No. 1269/02 establishing accounting for inflation in financial statements. The CNV, through General Resolution No. 415/02, adopted this procedure but it was later discontinued for periods after February 28, 2003. Consequently, Telecom s audited financial statements as of and for the fiscal year ended December 31, 2003 reflect adjustments for inflation through February 28, 2003. Financial information as of and for the fiscal years ended December 31, 2002 and 2001, the twelve-month period ended December 31, 2000 and the fiscal year ended September 30, 1999 has also been restated for comparative purposes based on constant pesos as of February 28, 2003.

Due to the increase in the wholesale price index of 118% in the period of January through December 31, 2002 and 0.7% in the period of January 1, 2003 through February 28, 2003, which is used to determine the adjustment for inflation, the reinstatement of inflation accounting in accordance with Argentine GAAP has had a significant effect on our financial condition and results of operations.

Revenue recognition

Our recording of revenues is described in more detail in Note 4(b) to our consolidated financial statements as of December 31, 2003, and for the years 2002 and 2001.

Revenues are recognized when earned. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on traffic and are accrued at the end of the month. Basic fees are generally billed monthly in advance and are recognized on the month when services are provided. Revenues derived from other telecommunications services, principally network access, long distance and airtime usage, are recognized monthly as services are provided. Revenues from the sale of prepaid calling cards are recognized in the month in which the traffic is used or in which the card expires, whatever happens first. Remaining unused traffic for unexpired calling cards is shown as deferred revenue in current liabilities.

Disclosure of Telecom s debt

Since some of our creditors have exercised their right to accelerate the maturity of our debt and certain of our notes contain cross default and/or cross acceleration clauses, we have categorized our financial indebtedness as current as of December 31, 2002 and December 31, 2003, except for the debt with the TITAN financial trust of Telecom Personal which was refinanced as indicated in Note 8 to our consolidated financial statements as of and for the year ended December 31, 2003 and certain debt of Núcleo. Our decision to classify this debt as current is based on the creditor s ability to require payment of these liabilities in the current period although these creditors have not generally sought to do so.

Recent Accounting Pronouncements (Argentine GAAP)

New Accounting Standards

On January 14, 2003, the CNV approved, with certain amendments, RT 16, 17, 18, 19 and 20 of the FACPCE which establish new accounting and disclosure principles under Argentine GAAP. These new RTs reflect the harmonization of Argentine GAAP with International Financial Reporting Standards (IFRS) undertaken by the International Accounting Standards Committee (IASC).

Telecom adopted these new standards early as of January 1, 2002 as permitted by the resolution. The principal changes in valuation and disclosure criteria resulting from the adoption of these new standards are as follows:

RT 16 Framework for the Preparation and Presentation of Financial Statements.

In December 2000, the FACPCE issued RT 16, which sets out the concepts that underlie the preparation and presentation of financial statements for external reporting. The purpose of the framework is to assist the board of the FACPCE, preparers and auditors of financial statements, and other interested parties in achieving their aims. The framework does not define standards for any particular measurement or disclosure issue. Nothing in the framework overrides any specific Technical Resolution. Among other things, the framework deals with (a) the objective of financial statements; (b) the qualitative characteristics that determine the usefulness of information in financial statements; (c) the definition, recognition and measurement of the elements from which financial statements are constructed; and (d) the concepts of capital and capital maintenance.

RT 17 Overall Considerations for the Preparation of Financial Statements.

In December 2000, the FACPCE issued RT 17, which sets out guidelines for the recognition and measurement of assets and liabilities and the introduction of benchmark and alternative accounting treatments. The recognition and measurement of specific transactions and other events is dealt with in other Technical Resolutions.

Accounting Measurement of Certain Assets and Liabilities at Their Fair Value. Among other things, RT 17 sets out guidelines for the recognition and measurement of certain assets and liabilities at their fair value. RT 17 establishes that certain monetary assets and liabilities are to be measured based on the calculation of their discounted value using the internal rate of return of such assets or liabilities at the time of measurement, unless the company has the intent and ability to dispose of those assets or advance settlement of liabilities.

Loans Arising From Refinancing. RT 17 also establishes that an exchange of debt instruments with substantially different terms is a debt extinguishment and that the old debt instrument should be derecognized. RT 17 clarifies that from a debtor s perspective, an exchange of debt instruments is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value and that amount should be used to determine the debt extinguishment gain or loss to be recognized. Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money.

PCS License. Telecom also adopted RT 17 provisions, as amended by the CPCECABA, for accounting recognition of indefinite life intangibles. This standard prescribes the accounting treatment for identifiable intangibles after initial recognition. Upon adoption of the standard, amortization of indefinite life intangibles cease. Periodic impairment testing of these assets is now required.

RT 18 Specific Considerations for the Preparation of Financial Statements

In December 2000, the FACPCE issued RT 18, which sets out the recognition, measurement and disclosure criteria for specific transactions and other events.

Temporary Differences from Translation. In particular, RT 18 prescribes the method used to translate the financial statements of foreign subsidiaries. RT 18 establishes guidelines to classify foreign investments either as foreign operations or foreign entities. A company is to be regarded as a foreign entity if it is financially, economically and organizationally autonomous. Otherwise, a company is to be regarded as a foreign operation if its operations are integral to those of Telecom. Telecom s foreign subsidiaries have been classified as foreign entities since they are financially, economically and organizationally autonomous. Accordingly, and pursuant to RT 18, as amended by the CPCECABA, financial statements were translated using period-end exchange rates for assets, liabilities and results of operations. Adjustments resulting from these translations are accumulated and reported as a separate line item between the liability and equity sections of the balance sheet.

RT 19 Amendments to Technical Resolutions No. 4, 5, 6, 8, 9, 11 and 14

In December 2000, the FACPCE issued RT 19.

Reclassification of Costs Included in Net Sales. In particular, RT 19 provides for certain specific

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disclosure provisions related to balance sheet and income statement items in the financial statements. Among others, RT 19 provides that only returns and other allowances should be deducted from net sales, while direct taxes and other costs directly associated with sales, i.e. turnover tax, should now be presented as operating costs.

Reclassification of Goodwill. Also, RT 19 prescribes that goodwill recorded by consolidated subsidiaries should be disclosed as a separate line item in the balance sheet.

RT 19 also amends Technical Resolution No. 8, or RT 8, and establishes that interim balance sheet amounts should be compared to the prior year-end while interim statement of income, changes in shareholders´ equity and cash flow amounts should be compared to the corresponding period of the prior year.

RT 20 Accounting for Derivative Instruments and Hedging Activities

Derivative Financial Instruments. In April 2002, the FACPCE issued RT 20, which establishes accounting and reporting standards for derivative instruments and for hedging activities. RT 20 requires that an entity recognizes all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and how it is designated. RT 20, as amended by the CPCECABA, prescribes that changes in the fair value of effective cash flow hedges are deferred as a separate component of the balance sheet and subsequently reclassified into earnings when the hedged items affect earnings. Gains and losses from fair value hedges are recognized in earnings in the period of any changes in the fair value of the related recognized asset or liability. Gains and losses on derivative instruments that are not designated as a hedging instrument are recognized in earnings in the period of change. Any hedge ineffectiveness and changes in the fair value of instruments that do not qualify as hedges are reported in current period earnings.

As of December 31, 2003, Telecom holds no derivative financial instruments and does not currently engage in hedging activities.

RT 21 Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions

In February 2003, the FACPCE issued RT 21, which amends Technical Resolutions No 4 and 5 and introduces certain amendments to other standards. This standard, as amended by the CPCECABA, was adopted by CNV in March 2004. This standard will be effective for fiscal year 2005.

See Note 16 to our consolidated financial statements as of and for the year ended December 31, 2003 for a discussion of the differences between U.S. GAAP and Argentine GAAP.

Recent Developments

For purposes of this section, we refer to the three months ended March 31, 2004 as the first three months of 2004 , and the three months ended March 31, 2003 as the first three months of 2003 .

Set forth below is summary income statement information for the three months ended March 31, 2004 and 2003:

	As of and for the Three Months Ended March 31	
	2004	2003
	(unaudited) (P$ millions, except per share and per ADS data and other data)	
INCOME STATEMENT DATA(1)(2)		
Argentine GAAP Amounts		
Net Sales	1,017	851
Cost of services, general and administrative and selling expenses	(952)	(875)
Operating income/(loss)	65	(24)
Other (Net)	63	930
Income tax	(4)	(1)
Net income	124	907
Operating income per share(3)	0.07	0.02
Operating income per ADS(4)	0.33	0.12
Net income per share(3)	0.13	0.92
Net income per ADS(4)	0.63	4.61
Dividends per share(3)(5)		
Dividends per ADS(3)(4)		

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(1) Figures for the three months ended March 31, 2003 reflect adjustments for inflation until February 28, 2003. See Presentation of Financial Information and Selected Financial Data Inflation Accounting.
(2) Telecom s compliance with certain covenants to be contained in the notes will be measured based on Telecom s unconsolidated financial results excluding Telecom Personal and its subsidiaries.
(3) Calculated based on 984,380,978 shares outstanding during each period.
(4) Calculated based on 196,876,196 ADSs outstanding in each period. Dividend figures do not give effect to any charges of the depositary of Telecom s ADSs.
(5) No dividends were paid for year 2003. See Dividend Policy and Dividends.

For the three months ended March 31, 2004, Telecom had net income of P$124 million, compared to net income of P$907 million for the three months ended March 31, 2003. The decline in reported net income was mainly due to the lower amount of foreign currency gains of P$262 million for the three months ended March 31, 2004 resulting from the devaluation of the Argentine peso against the U.S. dollar and the euro, compared to foreign currency gains of P$1,134 million for the three months ended March 31, 2003.

Telecom had consolidated net revenues of P$1,017 million in the first three months of 2004 compared to P$851 million in the first three months of 2003, as a result of the recovery in demand for services, particularly for cellular services in Argentina. The basic telephony business benefited from a higher number of lines in service, increased traffic and higher interconnection revenues. The cellular business in Argentina improved as a result of an increase in cellular subscribers, increased minutes of use, an increase in the sale of prepaid cards and the incorporation of revenues related to charges to other cellular operators for the termination of calls. The Internet business benefited from an increase in ADSL subscribers.

While Telecom has continued to emphasize strong cost controls, cost of services, general and administrative expenses and selling expenses have increased from P$875 million in the first three months of 2003 to P$952 million in the first three months of 2004 as a result of increased personnel expenses due to higher salaries for unionized and non-unionized employees. Costs also increased for certain items, such as commissions paid to vendors in the cellular business as a result of higher sales. Furthermore, as a result of the recovery of demand for services, Telecom increased its capital and marketing expenditures in order to maintain the quality of its service and its competitive position. Moreover, the incorporation of costs related to charges paid for the termination of calls in other cellular operators networks also increased operating costs for the first three months of 2004. These cost increases in the first three months of 2004 were partially offset by lower depreciation of fixed assets.

Although the overall economic situation in Argentina has shown signs of improvement and stability in 2003 and 2004, Telecom s operations continue to be influenced by the pesification and freezing of regulated tariffs and macroeconomic factors (particularly exchange rates).

Net Sales. Detailed below are the major components of net sales for the three months ended March 31, 2004 and 2003.

	Three Months Ended March 31		% of Change
	2004	**2003**	**2004-2003**
	(P$ millions)		**Increase/ (Decrease)**
NET SALES			
Voice, data and Internet			
Measured service charges	225	204	10.3

Monthly basic charges	154	153	0.7
Installation charges	7	5	40.0
Public telephone service	44	43	2.3
International long-distance service	54	53	1.9
Data transmission	79	83	(4.8)
Interconnection revenues	50	35	42.9
Internet revenues	18	14	28.6
Other national basic telephony services	24	22	9.1
Wireless telecommunication service	360	237	51.9
Directory publishing	2	2	
Total net sales	1,017	851	19.5

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During the first three months of 2004, net sales increased approximately 20% to P$1,017 million from P$851 million in the first three months of 2003. As discussed above, the increase in net sales was mainly due to a recovery in demand, particularly in the cellular business in Argentina and Internet subscriptions and lower discounts in domestic long distance services. These increases were partially offset by our inability to raise tariffs as a result of the freezing of rates after the pesification enforced by the Argentine government.

Measured Service Charges and Monthly Basic Charges. Revenues from measured basic service charges and monthly basic charges also include charges for supplementary services (which include call-waiting, call-forwarding, three-way calling, direct inwards dialing, toll-free service and voicemail, among others).

Revenues from traffic (defined as measured service plus monthly basic charges) represented 37% of our total net sales for the first three months of 2004, compared to 42% of our total net sales for the first three months of 2003. Revenues from traffic increased by 6% to P$379 million in the first three months of 2004, from P$357 million in the first three months of 2003. Measured service charges increased 10% to P$225 million in the first three months of 2004 from P$204 million in the first three months of 2003. This increase was due primarily due to the increase in local telephony revenues due to higher traffic volumes, which increased by 7% in the first three months of 2004 compared to the first three months of 2003. Revenues from domestic long distance traffic also increased as a consequence of higher traffic and higher average rates resulting from a reduction in promotional discounts.

Monthly basic charges increased 1% to P$154 million in the first three months of 2004 when compared with the first three months of 2003. This increase was mainly due to an increase in the number customer lines in service. Lines in service as of March 31, 2004 increased to approximately 3,674,000 due to the recovery in demand, compared to approximately 3,560,000 as of March 31, 2003. Monthly charges continued to remain stable as a result of the pesification and freeze on rates enforced by the Argentine government on January 6, 2002.

Installation Charges. During the first three months of 2004, installation charges received from new customers increased by 40% to P$7 million from P$5 million in the first three months of 2003. This increase was primarily due to an increase in the number of lines connected during this period.

Public Telephone Service. Revenues from public telephone service increased approximately 2% to P$44 million in the first three months of 2004, from P$43 million in the first three months of 2003. This slight increase was principally due to the higher traffic generated by public telephony telecommunications centers, or *Telecentros*, in the first three months of 2004.

International Long-Distance Service. During the first three months of 2004, international long-distance service revenues increased by approximately 2% to P$54 million from P$53 million in the first three months of 2003. This marginal increase was due to the increase in incoming traffic and an overall decline in promotional discounts on international long distance services, which was partially offset by a 3% decline in outgoing international long distance traffic for the first three months of 2004 compared to the first three months of 2003.

Data Transmission. Revenues generated by the data transmission business decreased 5% to P$79 million in the first three months of 2004 from P$83 million in the first three months of 2003. This decrease was mainly due to price discounts applied by Telecom during the first three months of 2004 in order to address higher competition and comparatively lower demand for corporate data transmission services, partially offset by higher revenues generated from the increase in Internet dial-up measured services as a consequence of the higher number of Internet subscribers of other Internet Service Providers, or ISPs, that access our network**.** As of March 31, 2004, Internet minutes represented 33% of total traffic measured in minutes transported over our fixed-line network.

Interconnection Revenues. During the first three months of 2004, revenues generated by interconnection services, which primarily include access, termination and long-distance transport of calls, increased 43% to P$50 million. The increase was due to the increase in fixed and cellular traffic and to the CER adjustment to prices of these services in the first three months of 2004 compared to the first three months of 2003.

Internet Revenues. Revenues generated by Internet subscription fees and Internet-related value-added services increased 29% to P$18 million in the first three months of 2004 from P$14 million for the first three months of 2003. This increase was mainly due to additional ADSL subscribers. As of March 31, 2004, the number of ADSL subscribers reached 50,800 compared to approximately 32,000 as of March 31, 2003. Furthermore, Internet dial-up customers reached 156,400 as of March 31, 2004 compared to approximately 148,000 as of March 31, 2003.

Other National Basic Telephony Services. Revenues from other national basic telephony services are derived

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mainly from dedicated lines, access charges and miscellaneous customer charges. During the first three months of 2004, revenues from other national basic telephony services increased by approximately 9% to P$24 million from P$22 million in the first three months of 2003. This increase was mainly due to higher miscellaneous customer charges partially offset by lower dedicated line revenues.

Wireless Telecommunication Service. During the first three months of 2004, revenues from wireless telecommunication service increased by approximately 52% to P$360 million from P$237 million in the first three months of 2003. Telecom Personal s revenues (excluding intercompany revenues) increased 58% to P$318 million in the first three months of 2004 from P$201 million in the first three months of 2003. This increase was mainly due to a higher average number of subscribers, higher sales of pre-paid cards, higher calling party pays (CPP) revenues, an increase in revenues due to charges for the termination of calls coming from other cellular operators and the increase in national and international roaming charges. Furthermore, the average revenue per user increased by 21% to P$34 per customer (including revenues due to charges for the termination of calls coming from other cellular operators) per month for the first three months of 2004 compared to P$28 for the first three months of 2003. Total cellular subscribers of Telecom Personal in Argentina reached approximately 2,852,000 as of March 31, 2004, an increase of approximately 617,000 customers, or 28%, as compared to March 31, 2003. Telecom Personal s customer base as of March 31, 2004 was comprised of approximately 2,299,000 prepaid subscribers, representing 81% of the total customer base, and approximately 553,000 contract subscribers, representing the remaining 19% of the total customer base. Núcleo, which provides PCS and cellular services in Paraguay, generated revenues (excluding intercompany revenues) of P$42 million in the first three months of 2004, an increase of 17% from P$36 million in the first three months of 2003. This increase was mainly due to a slight increase in Núcleo s customer base to 534,995. Núcleo s revenues are consolidated in Telecom Personal.

Directory Publishing. During the first three months of 2004, revenues from telephone directory publishing remained stable at P$2 million for the first three months of March 31, 2004, unchanged from the first three months of 2003, as levels of advertising activity were relatively constant.

Cost of Services, General and Administrative and Selling Expenses. Detailed below are the major components of the cost of services, general and administrative and selling expenses for the first three months of 2004 and 2003:

	Three Months Ended March 31		**% of Change**
	2004	**2003**	**2004-2003**
	(P$ millions)		**Increase/ (Decrease)**
Cost of services, general and administrative and selling expenses			
Salaries and social security	133	112	18.8
Depreciation of fixed assets	403	449	(10.2)
Bad debt expense	(1)	7	(114.3)
Management fees		1	
Fees for services	15	21	(28.6)
Interconnection costs	34	28	21.4
Taxes	71	62	14.5
Other operating and maintenance expenses	297	195	52.3
Total cost of services, general and administrative and selling expenses	952	875	8.8

General. Total cost of services, general and administrative and selling expenses increased by 9% to P$952 million in the first three months of 2004 from P$875 million in the first three months of 2003. This increase was principally due to increased salary expenses as a result of the addition of new employees in October 2003, higher commissions paid to cellular vendors due to higher sales, and increased marketing and capital expenditures, partially offset by depreciation of fixed assets and implemented by Telecom in fiscal year 2002.

*Salaries and Social Securit*y. During the first three months of 2004, the amount of salaries and social security payments was approximately P$133 million, representing a 19% increase from P$112 million in the first three months of 2003. This increase was mainly due to the effect of the increase in social security contributions on March 1, 2003 and extraordinary bonuses and salary increases implemented in September 2003 for unionized and non-unionized employees, and the addition in October 2003 of 1,393 employees who had previously worked for us as employees of third-party contractors, which increased salary and social security payments for the first three months of 2004 compared to the first three months of 2003. As of March 31, 2004, we had 14,059 employees, compared to 13,377 employees as of March 31, 2003.

For the first three months of 2004, salaries and social security payments were approximately 13% of net sales. For the first three months of 2003, salaries and social security payments were approximately 13% of net sales.

Depreciation of Fixed Assets. Depreciation expense was P$403 million in the first three months of 2004 and P$449 million in the first three months of 2003. Depreciation expense was equal to approximately 40% of net sales for the first three months of 2004 and 53% of net sales for the first three months of 2003. The decrease in depreciation expense was due to the end of the amortization period of some assets and to lower depreciation expense related to capitalized foreign currency exchange differences on financial indebtedness. The decrease in depreciation as a percentage of net sales was due to lower depreciation expense and the increase in net sales in the first three months of 2004 compared to the first three months of 2003.

Bad Debt Expense. During the first three months of 2004, bad debt expense decreased to P$1 million of recovery from a loss of P$7 million in the first three months of 2003. This decrease was attributable to a lower level of bad debt expense related to improved economic conditions which resulted in better collection conditions in general, and to improved collection methods for past due accounts.

Management Fees and Fees for Services. Other fees for various services, such as legal, security and auditing services, fees for the debt restructuring process and other management services, totaled approximately P$15 million for the first three months of 2004 and P$21 million for the first three months of 2003. This decrease was a result of the cost control policy implemented by Telecom since 2002.

Interconnection Costs. During the first three months of 2004, Telecom recorded P$34 million in interconnection costs compared with P$28 million of interconnection costs recorded in the first three months of 2003. This increase was primarily due to higher charges paid for local and long distance access, circuit rentals and termination charges for traffic related to Internet services and based on the CER adjustment.

Taxes. Expenses related to taxes increased 15% to P$71 million in the first three months of 2004 from P$62 million in the first three months of 2003. This increase was mainly due to the increase in the turnover tax in the fixed telephony and the cellular business as a consequence of the increase in sales for these units. In addition, part of the tax on checking account transfers included in this cost item was transferred to customers.

Other Operating and Maintenance Expenses. Other operating and maintenance expenses increased by 52% to P$297 million in the first three months of 2004 from P$195 million in the first three months of 2003. This increase was due to higher commercial expenses such as advertisements, commissions paid to cellular vendors and cost of cellular handsets. Costs relating to advertising increased mainly in the cellular business after the launch of campaigns aimed to promote GSM services. Cost of cellular handsets increased mainly due to the higher number of handsets sold in the first three months of 2004. In addition, Other operating and maintenance expenses were impacted by the incorporation of the cost related to charges for the termination of calls into other cellular operators networks.

Other (Net). Other (Net) includes financial results, other income and expenses (net) and investments in subsidiaries.

Financial Results, Net. During the first three months of 2004, Telecom recorded a net financial gain of approximately P$95 million compared to approximately P$961 million in the first three months of 2003. The decrease in net financial gains is mainly due to lower exchange gains recorded in the first three months of 2004 as a result of the effect of the depreciation of the foreign exchange rate of Argentine peso against the euro.

Other Expenses (Net). Other expenses (net) includes severance payments and provisions for lawsuits. For the first three months of 2004, other expenses (net) increased to approximately P$31 million from approximately P$23 million in the first three months of 2003. The increase was mainly due to higher severance and termination costs. During the first three months of 2004 and 2003, approximately P$15 million and P$9 million of other expenses (net), respectively, related mainly to accrued severance costs for employees who were dismissed during the period or voluntarily retired pursuant to our employee reduction program.

Net Income. For the first three months of 2004, we recorded net income of approximately P$124 million, compared to net income of P$907 million in the first three months of 2003. The decline in reported net income was mainly due to the lower amount of foreign currency gains of P$262 million for the three months ended March 31, 2004 resulting from the devaluation of the Argentine peso against the U.S. dollar and the euro, compared to foreign currency gains of P$1,134 million for the three months ended March 31, 2003.

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Consolidated Balance Sheet Data.

	As of and for the Three Months Ended March 31, 2004	As of and for the Year Ended December 31, 2003
	(unaudited)	(audited)
	(P$ millions, except per share and per ADS data and other data)	
BALANCE SHEET DATA(1)(2)		
Argentine GAAP		
Current assets	3,471	3,215
Fixed assets, net	7,647	8,001
Total assets	12,205	12,301
Current liabilities(3)	10,541	10,715
Non-current liabilities	317	365
Minority Interest	33	32
Foreign currency translation adjustments	22	21
Total shareholders equity	1,292	1,168
Total liabilities, minority interest, foreign currency translation adjustment and shareholders equity	12,205	12,301
Common stock	984,380,978	984,380,978

(1) Argentine GAAP requires companies to present comparative information for balance sheet data as of the end of the previous fiscal year instead of the end of the same period of the previous year. Therefore, under Argentine GAAP, the balance sheet data as of March 31, 2004 should be compared to balance sheet data as of December 31, 2003. Accordingly, no balance sheet data is presented as of March 31, 2003.

(2) Figures for the three months ended March 31, 2003 reflect adjustments for inflation until February 28, 2003. See Presentation of Financial Information and Selected Financial Data Inflation Accounting.

(3) As a result of our payment defaults, our creditors have the right to accelerate substantially all of our financial indebtedness. Accordingly, we have classified almost all our debt as a current liability in our March 31, 2004 and 2003 balance sheets. As of March 31, 2004, Telecom had approximately the equivalent of P$9,935 million of consolidated financial indebtedness.

Years ended December 31, 2003, 2002 and 2001

For purposes of these sections, the fiscal years ended December 31, 2003, 2002 and 2001 are called year 2003, year 2002 and year 2001, respectively.

As a result of the current political and economic uncertainty in Argentina and the restructuring of our outstanding debt pursuant to the APE, our results of operations presented below for the years ended December 31, 2003, 2002 and 2001 may not be indicative of Telecom s current financial position or future results of operations and may not contain all of the information necessary to compare our financial position and operating results for the periods presented to previous or future periods. See Background and Reasons for the APE Solicitation and Economic and Political Developments in Argentina for additional discussion of factors which have affected and are expected to continue to affect our financial condition and results of operations. Actual results may differ materially from our expectations and assumptions as a result of various factors, including the factors discussed under Risk Factors and Special Note Regarding Forward-Looking Statements.

Our results of operations are prepared in accordance with Argentine GAAP, which differs in certain respects from U.S. GAAP. For a discussion of the principal differences between Argentine GAAP and U.S. GAAP, see Note 16 to our consolidated financial statements as of and for the year ended December 31, 2003.

For the year ended December 31, 2003, Telecom had net income of P$351 million, compared to a net loss of P$4,386 million for the year ended December 31, 2002. The improvement in reported net income was mainly due to net foreign currency gains of P$624 million, compared with a foreign currency loss of P$2,922 million in the year 2002, plus P$376 million of gains arising from the purchase of our indebtedness.

Telecom had consolidated net revenues of P$3,753 million in year 2003 compared to P$4,012 million in year 2002, as the effect of the adjustment for inflation in 2002 offset recovery in demand for services, primarily for cellular services in Argentina. The basic telephony business benefited from cost reductions as well as a higher number of lines in service and increased traffic. The cellular business in Argentina showed signs of improvement as a result of an increase in cellular subscribers, increased minutes of use and an increase in the sale of prepaid cards. The Internet business benefited from an increase in subscribers and in ADSL and dial-up monthly fees. Price increases were implemented for certain services including data transmission.

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Telecom has continued to emphasize strong cost controls. Cost of services, general and administrative expenses and selling expenses decreased from P$4,216 million in year 2002 to P$3,646 million in year 2003 as a result of inflation adjustments and cost controls. Cost reductions included lower bad debt expense and decreased management fees for 2003 relating to the Operators assistance with specific projects, as described under Management Fees and Fees for Services. However, costs increased for certain items, such as commissions paid to vendors in the cellular business as a result of higher sales, marketing expenses and interconnection costs. While Telecom reduced its number of employees in the first nine months of 2003 as part of its cost savings plan, salaries and bonuses for unionized and non-unionized employees have recently increased, primarily as a result of the addition in October 2003 of 1,393 employees who had previously worked for us as employees of third-party contractors. Furthermore, as a result of the recovery of demand for services, Telecom expects that it will need to increase its capital and marketing expenditures in order to maintain the quality of its service and its competitive position.

Although the overall economic situation in Argentina showed signs of improvement and stability in 2003, as discussed above, Telecom s operations continue to be influenced by the pesification and freezing of regulated tariffs and macroeconomic factors (particularly exchange rates).

Net Sales

Detailed below are the major components of net sales for the years ended December 31, 2003, 2002 and 2001. During years 2003 and 2002, in accordance with new accounting pronouncements, certain items included within net sales were reclassified to different categories. The items reclassified in 2003 and 2002 relate mainly to measured service charges, international long distance revenues, data transmission revenues and turnover tax. Financial information for the year ended December 31, 2001 has been restated for comparative purposes.

	Year Ended December 31,			% of Change	
	2003	2002	2001	2003-2002	2002-2001
		(P$ millions)		Increase/(Decrease)	
Net sales					
Voice, data and Internet					
Measured service charges	917	1,019	1,794	(10.0)	(43.2)
Monthly basic charges	602	762	1,462	(21.0)	(47.9)
Installation charges	27	20	52	35.0	(61.5)
Public telephone service	168	193	378	(13.0)	(49.2)
International long-distance service	213	260	342	(18.1)	(24.0)
Data transmission	331	368	576	(10.0)	(36.1)
Interconnection revenues	164	172	220	(4.7)	(21.8)
Internet revenues	61	57	69	7.0	(17.4)
Other national basic telephony services	73	103	238	(29.1)	(56.7)
Wireless telecommunication service	1,163	1,035	1,822	12.4	(43.2)
Directory publishing	34	23	103	47.8	(77.7)
Total net sales	3,753	4,012	7,056	(6.5)	(43.1)

General

During year 2003, net sales decreased approximately 6.5% to P$3,753 million from P$4,012 million in 2002. As discussed above, the decrease in net sales was mainly due to the impact of the adjustment for inflation and our inability to raise tariffs as a result of the freezing of rates after the pesification enforced by the Argentine government. These negative factors had a greater impact on our net sales than higher prices charged for data transmission and Internet subscriptions, lower discounts in domestic long distance services and a recovery in demand, particularly in the cellular business in Argentina.

During year 2002, net sales decreased approximately 43.1% to P$4,012 million from P$7,056 million in year 2001. The decrease in net sales was mainly due to the restatement for inflation of the figures as of December 31, 2001 and the freezing of rates after the pesification enforced by the Argentine government.

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Revenues from Voice, Data and Internet

Measured Service Charges and Monthly Basic Charges

Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. Measured service charges also include calls made by customers in order to access the Internet. See Information on Telecom Our Business Basic Telephony Services Basic Telephony Revenue Measured Service.

Most of our customers are billed monthly. Installation charges and monthly basic charges differ for residential, professional and commercial customers. See Information on Telecom Rates.

Revenues from measured service charges and monthly basic charges also include charges for supplementary services (which include call-waiting, call-forwarding, three-way calling, direct inwards dialing, toll-free service and voicemail, among others).

Revenues from traffic (defined as measured service plus monthly basic charges) represented 40.5% of our total net sales for year 2003, compared to 44.4% of our total net sales for year 2002. Revenues from traffic decreased 14.7% to P$1,519 million in year 2003 from P$1,781 million in year 2002. Measured service charges decreased 10.0% to P$917 million in year 2003 from P$1,019 million in year 2002. The decrease was due to the adjustment for inflation of figures as of December 31, 2002. This decrease was partially offset by an increase in revenues from domestic long distance traffic as a consequence of higher traffic. Revenues from local telephony also increased due to higher traffic.

Monthly basic charges decreased 21.0% to P$602 million in year 2003 when compared with year 2002. This decrease was mainly due to the adjustment for inflation of figures as of December 31, 2002. The decrease was partially offset by an increase in revenues from supplementary services. Lines in service as of December 31, 2003 increased to approximately 3,655,859 due to the slight recovery in demand, compared to approximately 3,590,284 as of December 31, 2002. Moreover, monthly charges remained stable after the pesification and freeze on rates enforced by the Argentine government on January 6, 2002.

Revenues from traffic represented 44.4% of total net sales for year 2002, compared to 46.1% of total net sales for year 2001. Revenues from traffic decreased 45.3% to P$1,781 million in year 2002 from P$3,256 million in year 2001. Measured service charges decreased 43.2% to P$1,019 million in year 2002 from P$1,794 million in year 2001. This decrease resulted from a reduction in revenues from local and domestic long distance traffic. In addition, the deterioration of the economic conditions in the country had a negative impact on the number of customer lines.

Monthly basic charges decreased 47.9% to P$762 million in year 2002 when compared with year 2001. The decrease was mainly due to a lower average number of lines in service (approximately 377,000 fewer lines were in service in year 2002 compared to year 2001) and a lower number of subscribers of supplementary services.

Installation Charges

During year 2003, installation charges received from new customers increased by 35.0% to P$27 million from P$20 million in year 2002. This increase was primarily due to an increase in the number of lines connected during this period.

During year 2002, installation charges from new customers decreased by 61.5% to P$20 million, from P$52 million in year 2001. The decrease was largely due to the impact of the restatement for inflation of the 2001 figures and a lower number of lines connected (approximately 134,000 lines were connected in year 2002 as compared to 322,000 lines connected during year 2001) but was partially offset by a higher average installation price.

Public Telephone Service

Revenues from public telephone service decreased approximately 13.0% to P$168 million in year 2003, from P$192 million in year 2002. This decrease was principally due to the impact of the inflation adjustment which had a greater negative impact than the positive impact derived from higher traffic generated by public telephony telecommunications centers, or Telecentros, in year 2003.

Revenues from public telephone service decreased approximately 49.2% to P$192 million in year 2002, from P$378 million in year 2001. This decrease was principally due to the restatement of the year 2001 figures in constant pesos as of February 28, 2003, the lower traffic generated by Telecentros and the lower revenues received from public payphones and telephone cards.

International Long-Distance Service

During year 2003, international long-distance service revenues decreased by approximately 18.1% to P$213 million from P$260 million in year 2002. This decrease was due to the adjustment for inflation of figures for year 2002, which was partially offset by lower discounts for international long distance rates. International long distance represented 5.7% of net sales for the year ended December 31, 2003 and 6.5% of sales for the year ended December 31, 2002.

During year 2002, international long-distance service revenues decreased by approximately 24.0% to P$260 million from P$342 million in year 2001. This decrease was due to the restatement of the year 2001 figures in constant pesos as of February 28, 2003, and lower outgoing traffic which was partially offset by the revenues generated by our subsidiary Telecom USA. International long-distance revenues represented 4.8% of total net sales for the year 2001.

Data Transmission

Revenues generated by the data transmission business decreased 10.1% to P$331 million in year 2003 from P$368 million in year 2002. The decrease was due to adjustments of the December 31, 2002 figures for inflation, partially offset by higher revenues generated by the fixed line networks and the lease of data circuits. Additionally, Internet dial-up measured services increased as a consequence of the higher number of Internet subscribers of other Internet Service Providers, or ISPs, that access our network**.** As of December 31, 2003, Internet minutes represented 34% of total traffic measured in minutes transported over our fixed-line network.

Revenues generated by the data transmission business decreased 36.1% to P$368 million in year 2002 from P$576 million in year 2001. The decrease was due to restatement for inflation, partially offset by higher revenues generated by the ground networks and international connectivity. Additionally, Internet dial-up measured services increased as a consequence of the higher number of Internet subscribers of other ISPs that access our network. As of December 31, 2002, Internet minutes represented 31% of total traffic measured in minutes transported over our fixed-line network.

Interconnection Revenues

During year 2003, revenues generated by interconnection services, which primarily include access, termination and long-distance transport of calls, decreased 4.7% to P$164 million. The decrease was due to the adjustment for inflation of figures as of December 31, 2002 offset by the CER adjustment to prices of these services.

During year 2002, revenues generated by interconnection services decreased 21.8% to P$172 million. Interconnection revenues generated by fixed interconnection services decreased 25.8% to P$132 million in year 2002 from P$178 million in year 2001. Meanwhile, revenues generated by interconnection services provided to cellular operators decreased by 2.4% to P$40 million in year 2002.

Internet Revenues

Revenues generated by Internet subscription fees and Internet-related value-added services increased 7.0% to P$61 million in year 2003 compared to P$57 million in 2002. The effect of adjustment for inflation of figures for year 2002 was offset by an increase in the number of subscribers and an increase in ADSL high-speed access and dial-up monthly fees. As of December 31, 2003, the number of ADSL subscribers reached approximately 44,600 compared to 30,000 as of December 31, 2002. Most of this increase was the result of higher ADSL subscriber growth in the second half of 2003, which increased from approximately 32,000 ADSL subscribers at March 31, 2003, to approximately 35,000 ADSL subscribers at June 30, 2003, to approximately 40,000 ADSL subscribers customers at September 30, 2003, and to approximately 44,600 subscribers at December 31, 2003. Furthermore, Internet dial-up customers reached approximately 155,200 as of December 31, 2003 compared to 147,000 as of December 31, 2002. The number of ADSL connections Telecom provided to other ISPs also increased at a higher rate during the second half of 2003, growing from approximately 15,000 ADSL connections at March 31, 2003, to approximately 19,000 ADSL connections at June 30, 2003, to approximately 22,000 ADSL connections at September 30, 2003, and to approximately 26,000 ADSL connections at December 31, 2003.

Revenues generated by Internet subscription fees and Internet-related value-added services decreased 17.4% to P$57 million in year 2002 from P$69 million in year 2001. The decrease was mainly due to the restatement of figures to adjust for inflation. The decrease was partially offset by an increase in ADSL high-speed access fees. As of December 31, 2002, the number of ADSL subscribers reached approximately 30,000. Furthermore, Internet dial-up customers reached approximately 147,000.

Other National Basic Telephony Services

Revenues from other national basic telephony services are derived mainly from dedicated lines, access charges and miscellaneous customer charges. During year 2003, revenues from other national basic telephony services decreased by approximately 29.1% to P$73 million from P$103 million in year 2002. The decrease was mainly due to the adjustment for inflation of year 2002 figures and a decrease in the lease of lines and circuits.

During year 2002, other national basic telephony revenues decreased by approximately 56.7% to P$103 million from P$238 million in year 2001. The decrease was mainly due to a decrease in leased lines and circuits and the restatement of year 2001 figures in constant pesos as of December 31, 2002 to adjust for inflation.

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Revenues from Wireless Telecommunication Service

During year 2003, revenues from wireless telecommunication service increased by approximately 12.4% to P$1,163 million from P$1,035 million in year 2002. Telecom Personal s revenues (excluding intercompany revenues) increased 16.9% to P$1,003 million in year 2003 from P$858 million in year 2002. This increase was mainly due to a higher average number of subscribers, higher sales of pre-paid cards, higher calling party pays (CPP) revenues, an increase in revenues due to charges for the termination of calls coming from other cellular operators and the increase in national and international roaming charges. Furthermore, the average revenue per user increased by 28% to P$32 per customer per month for year 2003. Total cellular subscribers of Telecom Personal in Argentina reached approximately 2,603,000 as of December 31, 2003, an increase of approximately 413,000 customers, or 19%, as compared to December 31, 2002. Telecom Personal experienced higher subscriber growth in the second half of 2003, increasing from approximately 2,235,000 customers at March 31, 2003 (a 2% increase over December 31, 2002), to approximately 2,254,000 customers at June 30, 2003 (a 0.1% increase over March 31, 2003), to approximately 2,425,000 customers at September 30, 2003 (a 7.6% increase in customers compared to June 30, 2003), and to approximately 2,603,000 customers at December 31, 2003 (a 7.3% increase in customers compared to September 30, 2003).

Telecom Personal s customer base as of December 31, 2003 was comprised of approximately 2,120,000 prepaid subscribers, representing 81% of the total customer base, and approximately 483,000 contract subscribers, representing the remaining 19% of the total customer base. Núcleo, which provides PCS and cellular services in Paraguay, generated revenues (excluding intercompany revenues) of P$160 million in year 2003, a decrease of 9.6% from P$177 million in year 2002. The decrease was mainly due to the appreciation of the peso against the Paraguayan currency, the guaraní, as Núcleo s revenues are denominated in Paraguayan currency. Núcleo s revenues are consolidated in Telecom Personal.

During year 2002, revenues from wireless telecommunication service decreased by approximately 43.1% to P$1,035 million from P$1,822 million in year 2001. Telecom Personal s revenues (excluding intercompany revenues) decreased 49.2% to P$858 million in year 2002 from P$1,688 million in year 2001. This decrease was mainly due to a lower average number of subscribers during year 2002, lower levels of traffic and lower sales of handsets. Furthermore, the average revenue per user decreased by 11% to P$25 per customer per month for year 2002. Telecom Personal s customer base as of December 31, 2002 was approximately 850,000 subscribers for the Metropolitan Area of Buenos Aires (AMBA), 1,279,000 subscribers for the Northern Region and 62,000 subscribers for the Southern Region. Telecom Personal s total cellular subscribers in Argentina reached approximately 2,191,000 as of December 31, 2002, an increase of approximately 55,000 customers, or 2.5%, as compared to December 31, 2001. Núcleo generated revenues (excluding intercompany revenues) of P$177 million in year 2002, an increase of 32.1% from P$134 million in year 2001. The increase was mainly due to exchange differences and a slight increase in the customer base.

Revenues from Directory Publishing

During year 2003, revenues from telephone directory publishing increased by 47.8% to P$34 million in the year ended December 31, 2003 from P$23 million for year 2002. The increase was mainly due to revenues generated by advertising in the edition of the AMBA directory that was published in the fourth quarter of fiscal year 2003 partially offset by the restatement for inflation of year 2002 figures.

During year 2002, revenues from telephone directory publishing decreased by 77.7% from P$103 million in year 2001. This decrease was due to a decrease in the revenues generated by Publicom s telephone directory publishing business as a result of lower levels of advertising activity and to the restatement for inflation of year 2002 figures.

Cost of Services, General and Administrative and Selling Expenses

Detailed below are the major components of the cost of services, general and administrative and selling expenses for the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31,			% of Change	
	2003	2002	2001	2003-2002	2002-2001
		(P$ millions)		Increase/(Decrease)	
Cost of services, general and administrative and selling expenses					
Salaries and social security	506	587	1,150	(13.8)	(49.0)
Depreciation of fixed assets	1,768	1,980	1,690	(10.7)	17.2
Bad debt expense	11	189	567	(94.1)	(66.7)
Management fees	2	23	231	(91.3)	(90.0)
Fees for services	96	116	215	(17.2)	(46.0)
Interconnection costs	136	141	214	(3.5)	(34.1)
Taxes	256	276	457	(7.2)	(39.6)
Other operating and maintenance expenses	871	904	1,659	(3.7)	(45.5)
Total cost of services, general and administrative and selling expenses	3,646	4,216	6,183	(13.5)	(31.8)

General

Total cost of services, general and administrative and selling expenses decreased by 13.5% to P$3,646 million in year 2003 from P$4,216 million in year 2002. This decrease was principally due to the adjustment of the December 31, 2002 figures for inflation and cost reduction plans implemented by Telecom. Total cost of services, general and administrative and selling expenses were P$959 million for the fourth quarter of 2003, a 4% increase over total cost of services, general and administrative and selling expenses of P$922 million for the fourth quarter of 2002.

Total cost of services, general and administrative and selling expenses decreased by 31.8% to P$4,216 million in year 2002 from P$6,183 million in year 2001. This decrease was principally due to the restatement of the December 31, 2001 figures for inflation and cost reduction plans implemented by Telecom.

Salaries and Social Security

During year 2003, the amount of salaries and social security charges was approximately P$506 million, representing a 13.8% decrease from the amount of salaries and social benefits incurred in 2002. This decrease was mainly due to the effect of the adjustment of the December 31, 2002 figures for inflation partially offset by an increase in social security contributions on March 1, 2003, extraordinary bonuses and salary increases implemented in September 2003 for unionized and non-unionized employees and an increase in the number of employees due to the addition in October 2003 of 1,393 employees who had previously worked for us as employees of third-party contractors. During the last quarter ended December 31, 2003, we experienced a 30% increase in salaries and social security payments compared to the same period in 2002.

For year 2003, salaries and social security payments were approximately 13.5% of net sales. For year 2002, wages and social benefits were approximately 14.6% of net sales.

During year 2002, the amount of salaries and social security payments were approximately P$587 million, representing a 49.0% decrease from year 2001. This decrease was mainly due to the effect of the restatement for inflation of the December 31, 2001 figures and the reduction in labor costs of unionized and non-unionized employees as a consequence of the implementation of the cost reduction plan launched during the previous fiscal year. Additionally, Telecom Personal and Publicom reduced their total number of employees.

Salaries and social security payments were approximately 16.3% of net sales in year 2001.

Depreciation of Fixed Assets

Depreciation is calculated using the straight-line method based on the estimated useful life of the relevant asset. Fixed assets acquired after November 8, 1990, the date on which Telecom commenced operations upon the transfer from the Argentine government of the telecommunications system in the Northern Region, are being depreciated over an average of 10 years.

Depreciation expense was P$1,768 million in year 2003 and P$1,980 million in year 2002. Depreciation expense was equal to approximately 47.1% of net sales for year 2003 and 49.4% of net sales for year 2002. The decrease in depreciation expense was due to the end of the amortization period of some assets and to lower depreciation expense related to capitalized foreign currency exchange differences from financial indebtedness incurred to acquire these assets. The increase in depreciation as a percentage of net sales was due to a decrease in net sales in 2003 compared to 2002.

Depreciation expense was approximately P$1,980 million in year 2002 and P$1,690 million in year 2001. Depreciation expense was equivalent to 49.4% of net sales for year 2002 and 24.0% of net sales for year 2001. The increase in depreciation expense in year 2002 compared to year 2001 was primarily due to the effects of capitalized foreign currency exchange differences originated by financial indebtedness and the amortization of the new assets used in cellular and data transmission activities during year 2002.

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Bad Debt Expense

During year 2003, bad debt expense decreased 94.2% to P$11 million from P$189 million in year 2002. This decrease was mainly attributable to a lower level of bad debt expense related to the fixed line business as the number of customer lines in service decreased as a consequence of the crisis in year 2002, and as customers with weaker credit have discontinued our service and to improved collection methods for past due accounts. This decrease is also the result of the inflation adjustment of the figures for the year ended December 31, 2002.

During year 2002, bad debt expense decreased 66.7% to P$189 million from P$567 million in year 2001. This decrease was due to the restatement of the December 31, 2001 figures for inflation and the decrease in customer lines (as a result of the economic crisis), mainly in the residential segments.

Management Fees and Fees for Services

Management fees for services provided by the Operators pursuant to the Management Agreement, as defined under Information on Telecom History, for year 2003 were approximately P$2 million compared to P$23 million in year 2002 representing a reduction of 91.3%. This reduction was a result of the suspension of the payment of the management fee beginning April 1, 2002. Management fees for year 2003 represent fees paid to the Operators in exchange for the services of task forces comprised of specialized personnel provided to Telecom by the Operators at Telecom s request in order to assist with specific projects.

Management fees provided by the Operators in year 2002 were approximately P$23 million. Management fees paid directly to the Operators decreased 90.0% in year 2002 in comparison to year 2001, mainly as a result of a decrease of the management fee from 3% to 1.25% of net sales for the first three months of year 2002 and a suspension of the payment of the management fee beginning April 1, 2002.

Other fees for various services, such as legal, security and auditing services, fees for the debt restructuring process and other management services, totaled approximately P$96 million for year 2003 and P$116 million for year 2002. This decrease was due to the effect of adjustment for inflation of December 31, 2002 figures, partially offset by higher fees related to information systems. For year 2003, these fees include P$4 million of fees paid to the Operators under the Management Agreement as compensation for the services of highly qualified personnel that the Operators provided to Telecom at Telecom s request. Such amounts were charged based on hours of service at international market rates for such services.

Other fees for various services, such as legal, security and auditing services, including fees relating to the debt restructuring process that were incurred in and paid in 2002, and other management services, totaled approximately P$116 million for year 2002 and P$215 million for year 2001. For fiscal year 2002, these fees include P$4 million of fees paid to the Operators under the Management Agreement as compensation for the services of highly qualified personnel provided by the Operators to Telecom at Telecom s request. These amounts were charged to Telecom based on the number of hours of service provided at the international market rate for such services.

Interconnection Costs

During year 2003, Telecom recorded P$136 million in interconnection costs compared with P$141 million of interconnection costs recorded in year 2002. This decrease was primarily due to the effects of the adjustment of the 2002 figures for inflation, offset by higher charges paid for local and long distance access, circuit rentals and termination charges for traffic related to Internet services and based on the CER adjustment.

During year 2002, Telecom expensed P$141 million in interconnection costs compared with P$214 million in year 2001. This decrease was primarily due to the effects of restatement for inflation which was offset by higher charges paid for local and long distance access, circuit rentals and termination charges for traffic related to Internet services.

Taxes

Expenses related to taxes decreased 7.2% to P$256 million in year 2003 from P$276 million in year 2002. This decrease was mainly due to the effects of the adjustment of the 2002 figures for inflation and a portion of a tax on checking account transfers that was transferred to customers and was offset by an increase in the turnover tax charge in the fixed telephony and the cellular business as a consequence of the increase in sales for these units and an increase in the turnover tax rate for the cellular business. Such tax is calculated based on not adjusted for inflation figures.

Expenses related to taxes decreased 39.6% to P$276 million in year 2002 from P$457 million in year 2001. This decrease was mainly due to the effects of the restatement of 2002 figures for inflation and was offset by an increase resulting from the reclassification of tax on bank withdrawals and deposits and the increase in turnover taxes and taxes on real property and land rights in certain jurisdictions. See Taxes.

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Other Operating and Maintenance Expenses

Other operating and maintenance expenses decreased 3.7% to P$871 million in year 2003 from P$904 million in year 2002. This decrease was due to the effect of the restatement for inflation of the figures as of December 31, 2002. Other operating and maintenance expenses also decreased as a result of lower maintenance expenses in basic telephony services, partially offset by an increase in material and supplies costs due to a higher number of lines installed. These cost decreases were partially offset by higher advertising costs, as we have increased our marketing efforts for cellular, ADSL and GSM services as a result of greater competition in these areas, despite other decreases in promotional and institutional advertising campaign expenses pursuant to our cost control plan. In year 2003, we also incurred higher costs of maintenance on submarine cables and hardware due to increased costs for components of imported materials.

Other operating and maintenance expenses decreased 45.5% to P$904 million in year 2002 from P$1,659 million in year 2001. This decrease was mainly due to the effect of the restatement of the figures for the year ended December 31, 2001 for inflation, a decrease in material and supplies costs resulting from a reduction in the number of lines installed and lower maintenance costs related to basic telephony service. Costs relating to advertising also decreased as we have decreased media advertising and promotional and institutional advertising campaign expenses as part of our cost control plan. These decreases were partially offset by higher costs of maintenance on submarine cables and hardware due to increased costs for components of imported materials.

Other (Net)

Other (Net) includes financial results, other income and expenses (net) and gains and losses from equity interests.

Financial Results, Net

During year 2003, Telecom recorded a net financial gain of approximately P$48 million compared to a net financial loss of approximately P$5,302 million in year 2002. This change is mainly due to the foreign currency exchange differences realized as a result of the appreciation of the peso in year 2003 compared to the devaluation of the peso in year 2002.

During year 2002, Telecom recorded a financial loss of approximately P$5,302 million compared to a financial loss of approximately P$507 million in year 2001. This increase in financial loss is mainly due to a loss of P$3,820 million in 2002 from currency exchange differences as a result of the peso devaluation. This loss was only partially offset by the higher capitalization of foreign currency exchange differences relating to fixed assets acquisitions of P$898 million. Furthermore, the interest on liabilities increased by P$244 million due to the deterioration of the value of the peso. Lastly, we recorded a loss of P$1,164 million in 2002 relating to the inflation effect on monetary assets and liabilities.

Other Expenses (Net)

Other expenses (net) includes severance payments and provisions for lawsuits.

For year 2003, other expenses (net) decreased to approximately P$168 million from approximately P$176 million in year 2002. The increase was mainly due to costs incurred to increase our reserves for lawsuits and contingencies and higher severance and termination costs. The increase in these costs was partially offset by the adjustment for inflation.

During the years ended 2003 and 2002, approximately P$75 million and P$48 million of other expenses (net), respectively, related mainly to accrued severance costs for employees who were dismissed during the period or voluntarily retired pursuant to our employee reduction program.

For year 2002, other expenses (net) increased to approximately P$176 million from P$130 million in year 2001. The increase in this expense was mainly a result of costs incurred to increase our reserves for lawsuits and contingencies and our write-off of cellular handsets provided without charge to customers entering into cellular leases. These cost increases were partially offset by lower severance payments.

During 2001, approximately P$84 million of such expenses represented severance payments to employees who were dismissed during the period or voluntarily retired pursuant to our employee reduction program.

Net Income

For year 2003, we recorded net income of approximately P$351 million, compared to a loss of P$4,386 million in year 2002. The improvement in reported net income was mainly due to net foreign currency gains of P$624 million in 2003 compared to a net loss of P$2,922 million in 2002 plus P$376 million of gains arising from the purchase of our indebtedness.

For year 2002, we recorded a net loss of approximately P$4,386 million, compared to a net income of P$100 million in year 2001. This decrease was mainly due to the deterioration of the macroeconomic environment in Argentina, including the devaluation and subsequent volatility in the peso and the effects of the inflation adjustment.

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Our inability to increase regulated tariffs after the Argentine government s pesification of such tariffs at the rate of US$1.00=P$1.00, the decrease in traffic in the basic telephony business (mainly in the domestic and international long distance services) and the declines in both traffic and average revenue per user in the cellular business also had an negative impact on net income.

U.S. GAAP Reconciliation

The accounting principles applied in Argentina vary in certain significant respects from accounting principles applied in the United States. Application of accounting principles generally accepted in the United States (U.S. GAAP) would have affected the determination of amounts shown as net loss or income for the years ended December 31, 2003, 2002 and 2001 and the amount of total shareholders equity as of December 31, 2003, 2002 and 2001. For more detail see Note 16 to the consolidated financial statements as of and for the years ended December 31, 2003, 2002 and 2001.

The principal differences between Argentine GAAP and U.S. GAAP are the following:

- the treatment of foreign-currency transactions as of December 31, 2001;
- the impact of foreign currency translation;
- the accounting for capitalization of foreign currency exchange differences;
- the accounting for restructuring and repurchase of debt;
- the accounting for derivative financial instruments;
- other adjustments as inventories, present-value accounting and equity gain (loss) on related companies;
- the tax effects and minority interest on U.S. GAAP adjustments described above; and
- the valuation allowance of tax credits on minimum presumed income tax.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 16 to our consolidated financial statements as of December 31, 2003, 2002 and 2001.

Net income or loss under Argentine GAAP for the years ended December 31, 2003 and 2002 was a net income of approximately P$351 million and a net loss of approximately P$4,386 million, respectively, as compared to a net income of approximately P$485 million and a net loss of approximately P$1,653 million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of December 31, 2003 was

P$1,168 million, as compared to P$456 million under U.S. GAAP.

Additionally, net income (loss) under Argentine GAAP for the years ended December 31, 2002 and 2001 was a net loss of approximately P$4,386 million and a net income of approximately P$100 million, respectively, as compared to a net loss of approximately P$1,653 million and a net loss of approximately P$3,501 million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of December 31, 2002 and 2001 was P$817 million and P$5,203 million, respectively, as compared to P$(10) million and P$1,469 million, respectively, under U.S. GAAP.

Recently issued U.S. GAAP accounting pronouncements

In May 2003, the FASB issued SFAS No. 150 (SFAS 150), Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity, which establishes standards for how an issuer of financial instruments classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on a fixed monetary amount known at inception, variations in something other than the fair value of the issuer s equity shares or variations inversely related to changes in the fair value of the issuer s equity shares. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Telecom has adopted the provisions of SFAS 150, which did not have an impact on Telecom s financial position or results of operations. The classification and measurement provisions in paragraphs 9, 10 and 22 of SFAS 150 are deferred for an indefinite period for certain mandatorily redeemable non-controlling interests in subsidiaries with finite durations. Telecom will continue to evaluate the impact of SFAS 150, if any, and any further classifications that may result from SFAS 150.

Telecom currently applies the provisions of Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, to account for revenue arrangements with multiple deliverables. These arrangements include transactions such as the sale of wireless service with an accompanying handset. In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-21, Revenue Arrangements with Multiple Deliverables, which affects revenue arrangements entered into by Telecom after January 1, 2004. Issue No. 00-21 requires that revenue arrangements with multiple deliverables be divided into separate units of accounting if the deliverables in the arrangement meet specific criteria, and generally requires that arrangement consideration be

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allocated among the separate units of accounting based on their relative fair values. Revenue recognition is then considered separately for each unit of accounting. Telecom is currently assessing the impact of Issue No. 00-21 on its financial statements.

In January 2003, the FASB released FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB 51. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003 to variable interest entities in which an enterprise holds a variable interest it acquired before February 1, 2003. In December 2003, the FASB published a revision to FIN 46 (FIN 46 R) to clarify some of the provisions of the interpretation and to defer the effective date of implementation for certain entities. Under the guidance of FIN 46 R, entities that do not have interests in structures that are commonly referred to as special purpose entities are required to apply the provisions of the interpretation in financial statements for periods ending after December 31, 2004. The Company did not create a variable interest entity after January 31, 2003 and does not have a variable interest entity as of December 31, 2003. The Company expects that the full adoption of FIN 46 R in 2004 will not have a material impact on its financial position or results of operations.

Liquidity and Capital Resources

Sources and Uses of Funds

Historical. Historically, our sources of liquidity have been cash flow from operations and long-term borrowings. In the past, we maintained high levels of liquidity as a way to reduce debt-refinancing risks and provide flexibility during difficult market conditions caused by the volatility to which our business is subject. However, our limited financing alternatives were curtailed after December 2001 when the Argentine government defaulted on most of its financial obligations. In addition to Argentina s debt crisis, beginning in late 2001, our ability to access the capital and bank loan markets was effectively eliminated as a result of the economic recession and political instability in Argentina and the Argentine government s imposition of transfer restrictions on payments of foreign financial obligations. We do not expect to have access to bank credit or the financial markets either internationally or in Argentina unless the APE is consummated.

In the second quarter of 2002, we announced the suspension of principal and interest payments on all of our financial debt obligations, including those of our subsidiaries in Argentina. As a result of these developments, as of December 31, 2003, Telecom and its subsidiaries have failed to make an aggregate of approximately US$1,937 million of scheduled principal payments on their financial indebtedness and have defaulted with respect to such financial indebtedness. As of March 31, 2004, Telecom and its subsidiaries have failed to make an aggregate of approximately US$1,780 million of scheduled principal payments on their financial indebtedness and have defaulted with respect to such financial indebtedness. As of March 31, 2004, total consolidated payment defaults amounted to approximately US$1,900 million. The difference between December 31, 2003 and March 31, 2004 figures reflects accrual of additional interest expense and appreciation of the peso.

Net cash flow from operating activities was approximately P$2,015 million during year 2003. Net cash used in investing activities was approximately P$345 million during year 2003. For year 2003, cash flows used in financial activities were approximately P$768 million. Net cash flow from operating activities was approximately P$1,667 million during the year ended December 31, 2002. Net cash flow used in investing activities was approximately P$312 million during the year ended December 31, 2002. For the year ended December 31, 2002 cash used in financial activities was approximately P$470 million.

Net cash flow from operating activities was approximately P$381 million during the first three months of 2004. Net cash used in investing activities was approximately P$81 million during the first three months of 2004. For the first three months of 2004, cash flows used in financial activities were approximately P$5 million.

As of December 31, 2003, Telecom and its consolidated subsidiaries had approximately P$2,216 million in cash and cash equivalents and also had approximately P$58 million of government bonds, P$193 million of deposits with original maturities of more than three months which includes P$18 million related to Núcleo s reserve account and P$9 million related to of cash restricted for use in connection with legal proceedings.

As of March 31, 2004, Telecom and its consolidated subsidiaries had approximately P$2,511 million in cash and cash equivalents and also had approximately P$25 million of national and provincial government bonds, P$242 million of deposits with maturities of more than three months and P$10 million of cash restricted for use in connection with legal proceedings.

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Following the APE. Following consummation of the APE, we expect that our principal source of liquidity will be cash flow from operations. Our principal uses of cash are expected to be debt service requirements of the notes, including scheduled debt service and mandatory prepayments, and capital expenditures, to the extent permitted by the terms of the notes. Due to the limitations on indebtedness and other restrictions to be contained in the notes, we do not expect to be able to access the capital markets to a significant degree in the near term.

We currently expect that cash on hand and cash from operations will be sufficient 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 in the APE, including the equivalent of US$663 million to be paid as the Option C cash payment. In addition, we expect to pay an Option A/B cash interest payment on the issuance date to holders of our outstanding debt who elect Option A and Option B, which will be equal to the equivalent of up to 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 Option C, which will be equal to the equivalent of up to approximately US$5 million. The cash interest payments will be computed as set forth in The APE Solicitation Issuance Date. In estimating the expected amounts for the cash interest payments, we assume that the equivalent of US$500 million of outstanding debt is retired under Option A and assume that the consummation of the APE occurs on October 15, 2004. However, the actual cash amounts that we will need to pay will depend on the final allocation of our outstanding debt among the three options and the issuance 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. We will also require an additional the equivalent of US$25 million in cash to fund remaining costs of the restructuring, including administrative costs of the exchange of outstanding debt once the APE is approved, regulatory and filing fees for the notes and legal and advisory fees in connection with the APE and the restructuring. 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 our cash obligations related to the restructuring, our operating cash requirements and our cash requirements for capital expenditures, this belief is based on certain assumptions, including macroeconomic assumptions which involve factors that are not within our control and is therefore subject to certain risks and uncertainties. See Special Note Regarding Forward-Looking Statements and Risk Factors.

We currently expect that the successful completion of the APE will result in a level of debt that we are capable of servicing with cash from operations. This belief is based on a number of assumptions about macroeconomic factors that will effect 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; lower rates of inflation for the term of our notes than those experienced in 2002, declining to the range of 8% to 12.8% beginning in 2005 and thereafter; 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. After completion of the APE, Telecom expects that its cash flow in peso terms will increase annually at a slightly lower rate than its net revenues as a result of pressure on margins and increased capital expenditures. In developing its restructuring proposal, Telecom analyzed the amount of cash flow that it believed would be available to satisfy its debt service obligations under the notes. In estimating its future cash flows that will be available for debt service, Telecom considered the impact of its expected growth in revenues, proportionately higher increase in operating costs and resulting decreased operating margins (as discussed above under Factors Affecting Results of Operations); capital expenditures that are expected to reach 15% of net sales (excluding Telecom Personal and its subsidiaries) on average over the 2004-2011 period; the estimated amount of costs required for severance payments and taxes and expected growth in accounts receivable. As a result of this analysis, Telecom estimates that it will have between P$1,000 million and P$1,200 million of cash available to service its indebtedness on an annual basis, on average, over the 2004-2011 period. Because Telecom s principal sources of cash are generated in pesos, its ability to service debt denominated in other currencies will depend on the evolution of exchange rates between the peso and other currencies (principally the U.S. dollar and the euro).

We have made assumptions that we believe are conservative because these macroeconomic assumptions involve factors that are not within Telecom s control. The statements expressed in the preceding paragraphs 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 described above as a result of various factors, including the factors discussed under Risk Factors and Special Note Regarding Forward-Looking Statements.

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Debt Service

Historical. As of December 31, 2003, Telecom had approximately the equivalent of P$10,082 million of consolidated outstanding financial indebtedness which consisted of:

Approximately the equivalent of P$4,912 million aggregate principal amount of notes issued under its medium term note programs, which we refer to in this Liquidity and Capital Resources section as the medium term notes. The medium term notes were issued in eight separate series and bear interest at rates ranging from 3.6804% (6 month EURIBOR plus 1.50% as of December 31, 2003) to 12%. The originally scheduled maturity dates of the medium term notes range from 2002 to 2008. See Note 8 to Telecom s consolidated financial statements as of and for the year ended December 31, 2003 for additional information regarding each series of medium term notes.

Approximately the equivalent of P$4,319 million aggregate outstanding principal amount of debt, which we refer to in this Liquidity and Capital Resources discussion as the credit facility debt, owed to financial institutions relating to working capital loans, debt issuances and trade financings with originally scheduled maturities ranging from 2002 to 2016.

Approximately the equivalent of P$747 million aggregate accrued but unpaid interest on the medium term notes and credit facility debt and approximately the equivalent of P$104 million for penalty interest.

As a result of the default on principal and interest referred to above, lenders of Telecom s financial indebtedness have the right to accelerate the maturity of such indebtedness and to demand payment of the full amounts payable under their respective notes. All of Telecom s financial indebtedness has been classified as current debt on our December 31, 2003 and 2002 balance sheets (except for amounts relating to Telecom Personal s debt with the TITAN financial trust which has been refinanced as indicated in Note 8 to our consolidated financial statements as of and for the year ended December 31, 2003 and certain debt of Núcleo).

As of March 31, 2004, as a result of accrual of additional interest expense and appreciation of the peso, Telecom had approximately the equivalent of P$9,935 million of consolidated outstanding financial indebtedness which consisted of:

Approximately the equivalent of P$4,703 million aggregate principal amount of notes issued under its medium term notes.

Approximately the equivalent of P$4,251 million aggregate outstanding principal amount of credit facility debt owed to financial institutions relating to working capital loans, debt issuances and trade financings.

Approximately the equivalent of P$854 million aggregate accrued but unpaid interest on the medium term notes and credit facility debt and approximately the equivalent of P$127 million for penalty interest.

In March 2004, Telecom Personal received a payment request from the TITAN financial trust in connection with a past due amount corresponding to US$0.2 million relating to Telecom Personal s debt with the TITAN financial trust. Telecom Personal did not pay this amount because of the suspension of principal and interest payments on its outstanding debt. Once the grace period on this past due amount expired, the trustee for the TITAN financial trust issued a notice of acceleration to Telecom Personal requesting that all amounts owed to the TITAN financial trust become immediately payable. As a result of this notice of acceleration, Telecom Personal classified this debt as current at a nominal value.

In addition to the financial indebtedness described above, in connection with Telecom Personal licenses to render PCS services, Telecom has granted sureties on promissory notes issued by Telecom Personal to the order of the SC:

- for US$22.5 million (with a maturity date of May 7, 2002) as a performance guarantee in accordance with the list of conditions for the PCS service in Areas I and III;

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

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

Telecom Personal has submitted a report to the SC stating that it has complied with its obligations under the licenses and notes, requesting the release of these promissory notes. Telecom Personal currently expects that once the SC has reviewed its report, the performance guarantees issued to ensure Telecom Personal s compliance will be released. However, Telecom Personal cannot provide any assurance of this release as the SC has denied prior requests.

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Following the APE. Following consummation of the APE, we expect to have P$5,277 million of unconsolidated outstanding financial indebtedness which will consist of:

Approximately the equivalent of P$1,465 million aggregate outstanding principal amount of series A notes which mature in 2014.

Approximately the equivalent of P$3,811 million aggregate outstanding principal amount of series B notes which mature in 2011.

The tables below set forth our aggregate scheduled payments under our outstanding debt as of December 31, 2003 for the years indicated after giving effect to the restructuring.

For purposes of the table below, we assume the following:

that interest on our principal face amount of outstanding debt denominated in U.S. dollars, euro and Japanese yen will be capitalized based on the capitalized interest calculation and our peso-denominated outstanding loans will be capitalized based on the capitalized interest calculation and adjusted based on the CER from June 25, 2002 through December 31, 2003;

that we will pay a cash interest payment in respect of the period from January 1, 2004 to the issuance date (1) to holders who restructure their outstanding debt under Option A and 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 debt) and 9% for the series B notes and (2) an Option C cash interest payment to holders who restructure their outstanding debt under Option C based on the amount of interest that has accrued on the US$663 million of available cash in Option C from January 1, 2004;

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; and

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).

Moreover, with respect to Telecom Personal s restructuring, for purposes of the table below, we assume that the holders of Telecom Personal s debt elect:

To restructure the equivalent of US$417 million of Telecom Personal s principal amount of outstanding debt and capitalized interest for US$391 million and the capitalization of accrued but unpaid interest of US$26 million from January 1, 2004 of step-up B debt instruments; and

To retire the equivalent of the remaining US$178 million of Telecom Personal s principal amount of outstanding debt and capitalized interest for a cash payment of US$143 million.

For the purpose of the first 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 of outstanding debt and capitalized interest. Consequently, the equivalent of US$500 million principal face amount of outstanding debt and capitalized interest will be retired under Option A, US$1,376 million principal face amount of outstanding debt and capitalized interest will be retired under Option B and US$825 million principal face amount of outstanding debt and capitalized interest will be retired under Option C.

Subject to these assumptions, we expect Telecom s scheduled interest payments and mandatory amortization obligations for our consolidated financial indebtedness outstanding after consummation of the APE to be as follows:

	Consolidated	
Due in	**Principal**	**Interest**
	(in millions of P$)	
2004	208	6
2005	482	503
2006	596	503
2007	696	456
2008	899	383
2009	1,214	339
2010	1,142	217
2011	781	108
2012	209	44
2013	209	27
2014	185	11

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Our actual scheduled interest payments and mandatory amortization obligations for our consolidated financial indebtedness outstanding after the restructuring will depend on the actual elections of participating holders and the decision of the reviewing court with respect to the treatment of the non-participating holders. We have included a second debt repayment table in order to illustrate our interest payments and mandatory amortization obligations on our outstanding consolidated financial indebtedness after the restructuring assuming that we issue the maximum amount of notes pursuant to the APE Solicitation. For the purpose of this second table, we assume that Option A is fully subscribed and that we restructure the equivalent of US$2,701 million of outstanding debt with US$2,701 million of notes under Option A, and that no outstanding debt and capitalized interest will be retired under Option B or Option C.

Subject to these assumptions, we expect Telecom s scheduled interest payments and mandatory amortization obligations for our consolidated financial indebtedness outstanding after consummation of the APE to be as follows:

	Consolidated	
Due in	**Principal**	**Interest**
	(in millions of P$)	
2004	2,204	6
2005	462	415
2006	448	401
2007	266	387
2008	379	363
2009	1,563	425
2010	1,491	293
2011	1,130	173
2012	1,130	83
2013	185	7

See Summary Payment Default and Restructuring Future of Telecom if the Restructuring is Successful Restructuring Tables for a summary of our aggregate scheduled payments under our unconsolidated outstanding debt as of December 31, 2003 and a comparison of the aggregate scheduled payments under the notes after the restructuring.

The notes will contain a number of restrictive covenants that will, among other things, limit Telecom s ability and the ability of Telecom s restricted subsidiaries (including Telecom Personal) to incur indebtedness unless the ratio of Telecom s net indebtedness to EBITDA (as defined in the Description of the Notes), or leverage ratio, is 2.75 to 1 (or upon the occurrence of certain events, 2.25 to 1) or less; create or permit liens on property or assets unless the notes are equally and ratably secured; sell assets and/or make capital expenditures in excess of the permitted capital expenditure amounts unless Telecom s leverage ratio is 2.75 to 1 (or upon the occurrence of certain events, 2.25 to 1) or less. Telecom currently expects that it will not satisfy a leverage ratio of 2.75 to 1 prior to 2008 and therefore will not be able to incur any additional indebtedness until that time at the earliest, although its expectations regarding this period may change if rates and/or other factors affecting Telecom s business vary from its current expectations. See Summary Telecom Argentina S.A. Future of Telecom if Restructuring is Successful.

The notes will also contain a cross-acceleration provision which will make either the occurrence of any acceleration, or the existence of a payment default, with respect to an aggregate principal amount of the equivalent of US$20 million of debt of either Telecom or its restricted subsidiaries an event of default under the notes.

The notes will also contain a mandatory prepayment provision pursuant to which if, on the last day of any six-month period beginning July 1 or January 1 or the calculation date , which period begins after the issuance of the notes, there is any excess cash , then commencing on the next April 15 or October 15, respectively, Telecom will be required to use such excess cash as follows:

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

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at Telecom s election, up to 29% of the remaining excess cash shall be paid into the reserve account (as defined in the indenture); 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 six-month period, Telecom makes any dividend payment, the aggregate amount of the excess cash for such period applied to purchase or prepay notes shall be at least two and a half times such dividend payment.

Any excess cash of less than the equivalent of US$5 million will be carried forward to the next mandatory prepayment date and added to the excess cash payable on that date. See Description of the Notes Certain Covenants of Telecom Mandatory Prepayment with Excess Cash.

Pursuant to the terms of the notes, Telecom will be required to establish a reserve account for the benefit of the holders of the notes. Telecom will be permitted to withdraw funds from the reserve account for specified purposes, but any funds not used by Telecom within specified time periods will be used to purchase or prepay notes.

The debt instruments expected to be issued by Telecom Personal if its restructuring is successful are expected to contain similar restrictive covenants and a similar cash sweep provision which will limit Telecom Personal s ability to transfer cash and/or other assets to Telecom and Telecom s other subsidiaries. See The APE Solicitation Telecom Personal Restructuring Proposal.

In addition, the terms and conditions of Nortel s Series A and Series B Preferred Shares contain covenants which require Nortel to restrict Telecom s ability to borrow if the ratio of Telecom s total liabilities to shareholders equity is 1.75 or higher. If Nortel does not satisfy these covenants, Nortel s Series A and Series B Preferred Shares will acquire certain voting rights which will enable Nortel s preferred shareholders to elect one director and one alternate director of Nortel. Telecom s ratio of total liabilities to shareholder s equity has exceeded this amount since March 2002 and Telecom expects its ratio to exceed this amount after the APE is completed.

Capital Expenditures

Telecom estimates that its consolidated capital expenditures for the 2004 fiscal year will be approximately P$395 million, primarily to improve fixed-line service quality, invest in the expansion of ADSL service coverage and capacity and for Telecom Personal to invest in technological upgrades to expand its GSM network. Telecom s notes will limit its and Telecom Personal s ability to make capital expenditures. See Description of the Notes Certain Covenants of Telecom Limitation on Capital Expenditures and Risk Factors Telecom s business operates in a competitive environment which may result in a reduction in its market share in the future. Telecom expects that for so long as the notes restrict the amount of its capital expenditures it will invest the maximum amount permitted under the terms of the notes. In order to remain competitive, Telecom expects that it will need to invest larger amounts in capital expenditures in the longer term. Telecom expects to finance its capital expenditures through cash generated through operations and therefore its ability to fund these expenditures is dependent on, among other things, its ability to generate sufficient funds internally. The freezing of rates also impacts Telecom s ability to generate sufficient funds for capital expenditures because the cost of imported materials has increased in peso terms. See Information on Telecom Capital Expenditures.

Commercial Debt and other Obligations

As of December 31, 2003 and December 31, 2002, Telecom had unconsolidated commercial obligations (which include account payables, 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), reserves and other liabilities) of the equivalent of P$653 million and P$607 million, respectively. Telecom plans to meet its commercial obligations out of its cash flow in pesos. Telecom s ability to meet these obligations will depend on the generation of sufficient cash flow and, in the case of commercial obligations denominated in currencies other than pesos, Telecom s ability to transfer funds outside of Argentina, a stable exchange rate between the applicable currency and the peso and the availability of foreign exchange. Telecom s ability to pay these commercial obligations will also depend on the treatment of these obligations by the APE reviewing court. See Risk Factors We may be forced to seek the consent to the APE from our commercial creditors which will delay the completion of the APE.

Telecom s consolidated liabilities and purchase commitments as of December 31, 2003 were as follows:

	Past Due	2004	2005	2006	2007	2008	After 2008	Total
	(in millions of Argentine pesos)							
Loans	$ 9,991(1)	$ 5	$ 3	$ 4	$ 3	$ 64	$ 12	$ 10,082
Accounts payable		451						451
Salaries and social security payable		77	12	9	4	2	3	107
Taxes payable		151						151
Other liabilities		25	1	2	2	2	32	64
Total	$ 9,991(2)	$ 709	$ 16	$ 15	$ 9	$ 68	$ 47	$ 10,855

(1) Includes P$4,315 million debt that is subject to acceleration at the option of the holders.
(2) In addition, as of December 31, 2003, we had reserves for contingencies of P$225 million.

Related Party Transactions

Telecom has entered into certain transactions with its direct shareholder Nortel and its indirect shareholder Telecom Italia under the Management Agreement and in the ordinary course of business. For a description of these transactions see Major Shareholders and Related Party Transactions.

Taxes

Turnover Tax

The rate of turnover tax depends on the jurisdiction in which the revenue is generated and ranges from 2% to 6%. Until December 31, 2001, the amount of this tax was included in our income statements as a deduction from net revenues. Since December 31, 2002, this tax has been included in our income statements as part of the cost of services provided, therefore, the comparative figures for previous periods have been reclassified accordingly.

In compliance with CNT General Resolution No. 2345 which was issued in November 1994, or Resolution 2345, on November 28, 1994, as a result of the reduction in turnover taxes for the period from January 1991 through December 1994, Telecom deposited P$2.8 million in a special account for reimbursement of certain turnover taxes previously paid by federal district customers. General Resolution No. 2345 also established that the CNT should determine the method for reimbursing such clients.

In March 1996, the CNT issued General Resolution No. 86/96, or Resolution No. 86/96, which provided the method for reimbursing clients and established that the total amount to be reimbursed was P$5.6 million in principal and P$12 million in interest. Resolution No. 86/96 required

Telecom to reimburse an additional P$2.8 million of principal and pay interest on this principal amount for the fourteen month period between the issuance of Resolution 2345 and Resolution 86/96.

Telecom has analyzed the CNT s calculations used to determine the amount that it is required to reimburse and believes that the amount that it should reimburse to customers in the federal district is substantially lower. On March 1, 1996, Telecom filed an administrative appeal of Resolution No. 86/96 with the CNT. While this appeal is pending, Telecom has complied with Resolution No. 86/96 and has returned a total of P$17.6 million to customers in the federal district based on the amount of tax charged on bills issued and due after April 1, 1996.

Income Tax

Telecom s income tax rate is currently 35% of taxable income. The amount of income subject to tax is calculated according to tax regulations which contain a different methodology for calculating net income than the methodology used for the preparation of our financial statement under Argentine GAAP. The differences between the methodology of computing income under the tax regulations and under Argentine GAAP make it difficult to determine taxable income from our income statements. For instance, some deductions from income normally accepted for accounting purposes must be added back to income for tax purposes. Moreover, the tax regulations do not currently provide for the restatement of figures to reflect inflation as is required in certain periods by Argentine GAAP. See Presentation of Financial Information.

Dividends paid by Telecom which exceed the difference between Argentine GAAP income and taxable income computed as provided in the tax regulations are subject to income tax at a rate of 35%.

Net losses can generally be carried forward and applied against future taxable income for 5 years. However, certain losses relating to the devaluation of the peso may only be deducted at a rate of 20% per fiscal year. See Critical Accounting Policies *Income Taxes Deferred tax assets and Tax credit on minimum presumed income*. According to its 2002 income tax return filed on May 12, 2003, Telecom had tax loss carryforwards of P$4,815.9 million which can be applied against taxable income earned in the next 5 years. In Telecom s December 31, 2002 balance sheet, it estimated and recorded tax loss carryforwards of P$5,154.7 million. The main difference between the amount of tax loss carryforwards estimated and recorded by Telecom in its December 31, 2002 balance sheet and the amount of tax loss carryforwards claimed in its May 12, 2003 tax return relates to the thin capitalization

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rules described below. The impact of the difference between the tax loss carryforwards recorded in the December 31, 2002 balance sheet and the amount of the tax loss carryforwards claimed in Telecom s 2002 tax return is limited to a reclassification of items within the deferred tax credit balance in Telecom s consolidated balance sheet. In addition, Telecom Personal estimated and recorded tax loss carryforwards of P$431 million in its December 31, 2002 balance sheet. No assurance can be given that these tax loss carryforwards can be applied against taxable income in the future.

Costs Associated with Income Taxes Paid by Foreign Lenders

Pursuant to the terms and conditions of Telecom s outstanding loans, Telecom is required to reimburse its foreign lenders for Argentine income taxes payable by the lenders with respect to the interest on the loans by increasing or grossing up the amount of interest paid to these lenders such that, after payment of the Argentine taxes, the lenders have received the contractual interest rate. Withholding rates on interest payments to foreign beneficiaries are currently 15.05% (17.7163% with gross up) if the lender is a bank or a financial entity located in a country whose central bank has adopted the Banking Supervision Standards of the Basle Committee. Previously, the withholding rate was 35% (53.8462% with gross up) if the lender did not meet the aforementioned requirements. However, Argentine Law No. 25,784, which was published in the Official Bulletin in October 2003, amended the requirement that a lender must be located in a jurisdiction that has adopted the Banking Supervision Standards of the Basle Committee. Under Law No. 25,784, the 15.05% withholding rate currently also applies to lenders who are banks or financial entities located in jurisdictions that are neither void nor subject to taxation according to Argentine income tax rulings or have entered into treaties with Argentina providing for exchange of information upon request by the respective authority. Further, unless their internal rulings provide otherwise, requests for banking, stock exchange or other secret information cannot be challenged. In order to be eligible for the 15.05% withholding rate, the financial entity must be under the supervision of a respective central bank or equivalent authority. Interest payments on *obligaciones negociables* that meet the requirements of Section 36 of the Negotiable Obligations Law and were held by foreign beneficiaries remain income tax exempt.

Thin Capitalization Rules

The 1998 tax reform introduced a limitation on the deduction of interest expense for income tax purposes. A company that is not a financial entity may deduct the following categories of interest without any restriction: interest on loans granted by individuals, interest subject to the 35% withholding tax and 40% of other interest payments. The remaining 60% of the interest in the residual category may be deducted if the company s liabilities on which interest in the residual category is paid do not exceed 2.5 times the company s equity or the amount of interest paid in the residual category is less than 50% of net income for the fiscal year (before the interest deduction). In the event that both limits are exceeded, a portion of the deduction for the remaining 60% of the interest in question is denied but, it can be deducted in the following five fiscal years, subject to the limitations described above. The nondeductible portion is equal to the greater of (i) the percentage by which the liabilities giving rise to in this residual category exceed 2.5 times the company s equity or (ii) the percentage by which 100% of the interest in the residual category exceeds 50% of the company s net taxable income (as defined above). During fiscal year 2002, Telecom s deduction of interest expenses was limited because it was not able to satisfy the conditions required in order to deduct the remaining 60% of the interest expense. Argentine Law No. 25,784 modified the limitation on the deduction of interest expense by stating that the limit will only be applied to interest expense on debt owed to non-resident entities that control the borrowing entity (except for interest expense subject to the 35% withholding tax) in proportion to the amount of debt that exceeds two times the company s equity, and the excess of interest over this ratio will be treated as dividend payments.

Tax on Minimum Presumed Income

Telecom pays an amount equal to the greater of the income tax or the tax on minimum presumed income. The tax on minimum presumed income is computed based on 1% of the value of Telecom s assets. The value of Telecom s assets is determined in accordance with the criteria established under the tax laws and generally approximates market value. The amount of any income tax paid during the year may be deducted from the tax on minimum presumed income that would be payable in such year. The amount of tax on minimum presumed income in excess of the income tax for such year may be carried forward for a ten year period. This excess may be treated as a credit that may be applied against the income tax payable in a future year to the extent the tax on minimum presumed income exceeds income tax payable for such future year. Shares and other equity participations in companies subject to the tax on minimum presumed income are exempt from the tax on minimum presumed income. Since we had a net loss for income tax purposes in year 2002 and did not pay any income tax for year 2002, we paid minimum presumed income tax for year 2002.

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Tax on Company Indebtedness

Argentine Law No. 25,063, which was abolished as of July 1, 2002, imposed a tax on company indebtedness. The tax applied to interest and financial costs of the following obligations which are deductible for income tax purposes:

- commercial paper, or *obligaciones negociables*, issued under Argentine Law No. 23,576,
- loans borrowed from domestic financial entities regulated by Argentine Law No. 21,526, and
- loans granted to companies by individuals.

The tax rate was originally 15% on interest and fees in the case of commercial paper issued under Argentine Law No. 23,576 and loans borrowed from domestic financial entities regulated by Argentine Law No. 21,526. Subsequently, the tax rate was reduced as follows:

Date of Reduction	Tax Rate
January 1, 2001	10%
July 1, 2001	8%
October 1, 2001	6%
January 1, 2002	4%
April 1, 2002	2%

The tax on commercial paper issued under Argentine Law No. 23,576 and loans borrowed from domestic financial entities regulated by Argentine Law No. 21,526 was originally limited to a maximum of 2.25% of the principal amount of debt, however, this limit was reduced to 1.5% of the principal amount of the debt as of January 1, 2001, 1.20% of the principal amount of the debt as of July 1, 2001, 0.90% of the principal amount of the debt as of October 1, 2001, 0.60% of the principal amount of the debt as of January 1, 2002 and 0.30% of the principal amount of the debt as of April 1, 2002.

In the case of loans granted to companies by individuals, the tax rate was originally 35% of the principal amount of debt but was reduced as follows:

Date of Reduction	Tax Rate as a % of principal amount of debt
January 1, 2001	25%
July 1, 2001	20%
October 1, 2001	15%
January 1, 2002	10%
April 1, 2002	5%

The issuer of commercial paper or the borrower from financial entities or individuals as the case may be, was liable for the payment of the tax. With certain limitations, the tax amount paid was treated as a tax credit that could be applied against the income tax or the minimum assumed income tax, if any, corresponding to the same year.

During year 2003, Telecom did not charge any tax on company indebtedness to income, compared to a charge of P$4 million to income during year 2002 as a result of the tax on its indebtedness. During year 2001, Telecom charged P$15 million to income.

Value Added Tax (VAT)

VAT does not have a direct impact on Telecom s results of operations. VAT paid by Telecom to its suppliers is applied as a credit toward the amount of VAT charged by Telecom to its customers and the net amount is passed through to the Argentine government. VAT rates are 21%, 27% and 10.5%, depending on the type of the transaction and tax status of the customer.

The import of services (including financial services) by Argentine VAT taxpayers registered for VAT purposes, or *responsables inscriptos*, is subject to VAT. In the case of loans, if the lender is a bank or a financial entity located in a country whose central bank has adopted the Banking Supervision Standards of the Basle Committee, the rate is 10.5%. If the foreign lender is one other than those mentioned above, the rate is 21%.

The burden of paying VAT is borne by the Argentine taxpayer.

Tax on Deposits to and Withdrawals from Bank Accounts

The tax on deposits to and withdrawals from bank accounts under Law No. 21,526 applies to certain deposits to and withdrawals from bank accounts opened in Argentine financial entities and to other transactions that, due to their special nature and characteristics, are similar or could be used in lieu of a deposit to or withdrawal from a bank

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account. Therefore, any deposit to or withdrawal from a bank account opened in an entity regulated by Law No. 21,526, or any transaction deemed to be used in lieu of a deposit to or withdrawal from a bank account, is subject to the tax on deposits and withdrawals unless a particular exemption is applicable. The tax rate was originally 0.25% of the transaction. Beginning on May 3, 2001, the rate was increased to 0.4%, and in certain situations it has increased to 0.8%. Since August 1, 2001, the tax rate has been 0.6% of the transaction volume.

From May 3, 2001 to July 31, 2001, 37.5% of the tax paid could be used as a tax credit against income tax, VAT and the tax on minimum presumed income. From July 31, 2001 until February 18, 2002, the creditable portion of the tax was increased to 58%. As of February 18, 2002, this credit is no longer available.

During year 2003, Telecom charged P$36 million against income as a result of this tax. During year 2002, Telecom charged P$46 million against income as a result of this tax.

On February 6, 2003, the Ministry of Economy, through General Resolution No. 72/03, authorized Telecom to increase the basic telephony services tariffs by the amount of the tax on deposits to and withdrawals from bank accounts as provided for in General Resolution No. 72/03. The amount of the tax charged must be shown in detail on the customers bills. The amounts charged before General Resolution No. 72/03 will be included in the tariff renegotiation process.

Decree No. 534/2004 provides that owners of bank accounts subject to the general tax rate of 0.6% may take into account as a tax credit 34% of the tax originated in credits on such bank accounts. This amount may be utilized as a credit for the Income Tax and Tax on Minimum Presumed Income. The amount computed as a credit is not deductible for income tax purposes.

Tax on Personal Property

Argentine Law 25,585, which was passed by the Argentine Congress and published in the Official Gazette on May 15, 2002, and applies as of December 31, 2002, imposes a tax on shares of stock corporations, such as the ADSs and the Class A, B and C Shares, or equity interests in companies regulated by the Argentine Companies Law if the equity interests are owned by individual holders and/or undivided estates of the equity interests (regardless of whether domiciled within Argentina or in a foreign country). This tax is also imposed upon companies and/or any other legal entities located in a country other than Argentina. It is presumed, without the right to rebut such presumption, that shares of stock corporations, such as Telecom s ADSs and the Class A, B and C Shares, and/or equity interests of companies regulated by Argentine Companies Law, as amended, whose holders are companies, other legal entities, enterprises, permanent establishments, trusts, and exploitations, domiciled, settled or located in a foreign country, belong indirectly to individuals or individual estates domiciled in a foreign country.

Telecom is required to pay this tax on behalf of the holders of its ADSs, Class A, B and C shares. Telecom has the right to obtain the refund of the amounts paid, even if this requires holding and/or foreclosing the property on which the tax is due, but to date no effective procedures have been developed to collect from Telecom s shareholders the amount of this tax paid on their behalf. Therefore, as a practical matter, until such a mechanism is developed, the payment of this tax will constitute an additional expense for Telecom.

The tax rate applied is 0.50%. This tax is computed based on the value of Telecom s shareholders equity as stated on the most recent balance sheet of the company as of December 31.

On January 22, 2004, Telecom requested from its holders as of December 31, 2002 of Class B shares and ADSs the reimbursement of the Tax on Personal Property from those holders who were eligible for reimbursements of P$100 or more. As of March 31, 2004, holders of Class B shares reimbursed Telecom for approximately P$9,095 and holders of ADSs had reimbursed Telecom for approximately US$922. Telecom expects that a substantial part of the remaining tax amount that is not reimbursed will result in an additional expense for Telecom.

Other Taxes and Levies

Telecom is subject to a levy of 0.5% of its monthly revenues from telecommunications services. The proceeds of this levy are used to finance the activities of the Regulatory Bodies. The amount of this levy is included in Telecom s income statement within other operating and maintenance expenses.

Law No. 25,239 imposes a tax of 4% of amounts invoiced excluding VAT but including the excise tax, which results in an effective tax rate of up to 4.1677%.

Since the beginning of year 2001, telecommunication services companies have been required to pay a universal service tax to fund universal service requirements. The universal service tax is calculated as a percentage of the total revenues received from the rendering of telecommunication services, net of taxes and levies applied on such revenues, excluding the universal service tax. The rate is 1% of total billed revenues.

Since the rates for their services are generally not regulated, as a result of increasing tax burdens on cellular operators, Telecom Personal and other Argentine cellular operators decided to include a special charge in their

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customers bills which reflects the impact of these regulatory taxes. However, pursuant to General Resolution No. 279/01, the SC prohibited cellular operators from billing this special charge. Telecom Personal has filed an administrative appeal objecting to the application of General Resolution No. 279/01. As of the date of this solicitation statement, this appeal is still pending.

Quantitative and Qualitative Disclosures About Market Risk

Telecom is exposed to market risk, including changes in foreign exchange rates and interest rates, in the normal course of its business. In order to hedge the risks associated with changes in foreign exchange rates and interest rates, Telecom has used derivative financial instruments in the past and may use such instruments in the future. Telecom does not hold or issue derivative financial instruments for trading purposes.

In 2002, as a result of the macroeconomic and political conditions in Argentina (including the elimination of dollar-peso parity) which diminished the utility of Telecom s hedging transactions and its ability to comply with its obligations, Telecom terminated its outstanding currency and interest rate swap arrangements. Telecom s termination of its swap arrangements, which were unwound at fair value and generated losses of approximately P$281 million before income tax, caused its debt obligations to increase by approximately US$75 million.

As of December 31, 2003, Telecom was not party to any derivative financial instruments.

Telecom s exposure to market risk for changes in interest rates relates primarily to its debt obligations. Telecom has long-term debt with both fixed and variable rates. See the table below for additional information regarding these debt obligations.

Telecom has in the past entered into foreign currency swap contracts in order to hedge the risk of fluctuations in foreign currency exchange rates associated with certain loans and long-term debt that are denominated in foreign currencies other than U.S. dollars. Where used, the foreign exchange contracts related to such loans and long-term debt had the same maturity as the underlying debt.

The table below provides information in Argentine pesos in respect of Telecom s debt obligations, by currency, outstanding as of December 31, 2003, which amounts have been translated into pesos at a rate of P$2.93 to US$1.00. With respect to these debt obligations, the table presents principal cash flows and related weighted average interest rates at maturity dates of principal amounts set forth in the instruments governing such obligations as of December 31, 2003.

The information presented in the table reflects the terms of the consolidated debt obligations as set forth in the instruments governing these obligations. However, as a result of the suspension of principal and interest payments on our outstanding financial indebtedness, the holders of these obligations have the right to accelerate the maturity of this indebtedness and to demand payment of the full amounts payable under their respective notes. Accordingly, all of the instruments set forth under the Total column were considered due and payable in our financial statements as of December 31, 2003 (except for amounts relating to Telecom Personal s debt with the TITAN financial trust which has been refinanced as indicated in Note 8 to our consolidated financial statements as of and for the year ended December 31, 2003 and certain debt of Núcleo). Amounts shown for year 2003 include amounts payable on outstanding debt that matured in 2002 but that was not paid due to the suspension of payments commencing in 2002.

	Consolidated Debt as of December 31, 2003						
	2003(1)	**2004**	**2005**	**2006**	**2007**	**2008+**	**Total(3)**
US Dollars	3,244	395	216	96	68	130	4,148
Fixed rate	552	50	44	22	21	79	769
Average interest rate(4)	10.10%	6.26%	6.56%	7.13%	7.17%	4.34%	
Variable rate	2,692	345	171	74	46	50	3,379
Average interest spread of LIBOR	2.30%	3.04%	2.53%	1.87%	1.76%	1.42%	
Euro(2)	1,612	1,310	12	12	710	766	4,422
Fixed rate	1,612	1,310	12	12	710	74	3,729
Average interest rate(4)	7.37%	8.85%	1.75%	1.75%	8.77%	1.75%	
Variable rate						692	692
Average interest spread of Euribor(4)						1.50%	
Japanese yen	255	37	37	37	37	94	497
Fixed rate	74	37	37	37	37	93	315
Average interest rate(4)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
Variable rate	176						176
Average interest spread of Japanese LIBOR(4)	2.02%						
Argentine Pesos	164						
Fixed rate	164						164
Average Interest rate(4)	8.00%						

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(1) Amount includes US$532 million of debt denominated in U.S. dollars, 209 million of debt denominated in euro, ¥5,103 million of debt denominated in Japanese yen and P$164 million of debt denominated in pesos, all of which were due to mature in 2002.
(2) Includes debt originally denominated in Italian Lire.
(3) May not sum due to rounding.
(4) Average interest rate is computed based on the weighted average.

Interest Rate Exposure. As of December 31, 2003, 54% of Telecom s consolidated debt obligations were issued at a fixed interest rate. The remainder of the outstanding debt exposure is set at variable interest rates, principally related to changes in LIBOR. Debt obligations with variable interest rates are mainly based on LIBOR plus specified margins.

Telecom estimates based on the current composition of its balance sheet that every variation in the interest rates of 100 basis points, plus or minus, to its current floating rate consolidated debt would result in a variation of approximately P$43 million of interest expenses per year, assuming no change in the principal amount of this indebtedness. The analysis is based on the assumption that such variation of interest rates occurred at the same time for the different type of floating rates to which our actual debt is exposed.

Exchange Rate Exposure. Since the Convertibility Law pegged the peso at a value of P$1.00 per US$1.00, exchange rate risks were mainly related to changes in the value of the U.S. dollar in comparison with currencies other than the Argentine peso. In January 2002, the Argentine government devalued the Argentine peso and currently the peso/U.S. dollar exchange rate is determined by a free market with certain controls. See Exchange Controls. While the Convertibility Law was in effect, Telecom used derivative financial instruments to partially hedge its exposure to foreign exchange rate fluctuations related to its indebtedness not denominated in U.S. dollars. Telecom terminated all of its outstanding currency and interest rate swap arrangements in 2002.

Telecom s results of operations are very susceptible to changes in the peso/dollar and peso/euro exchange rates because its primary assets and revenues are denominated in pesos while substantially all of its liabilities are denominated in dollars or euro. As of December 31, 2003, a substantial majority of Telecom s consolidated debt obligations (approximately 98%) were issued in currencies other than the Argentine peso. As of December 31, 2003, approximately 45% of Telecom s financial debt was issued in US dollars, approximately 48% was issued in euro (or predecessor currencies) and approximately 5% was issued in Japanese yen.

Telecom estimates, based on composition of its balance sheet as of December 31, 2003, that every variation in the exchange rate of P$0.10 against the U.S. dollar and proportional variations for the euro and yen against the Argentine peso, plus or minus, would result in a variation of approximately P$280 million of its consolidated financial indebtedness. Telecom estimates that, based on the composition of its balance sheet as of December 31, 2003, as adjusted to give effect to the consummation of the restructuring in accordance with the pro forma financial statements as of December 31, 2003 as set forth in Unaudited Pro Forma Consolidated Financial Information, every variation in the exchange rate of P$0.10, plus or minus, against the U.S. dollar and proportional variation for the euro and Japanese yen against the Argentine peso would result in a variation of approximately P$191 million of its consolidated financial indebtedness. These analyses are based on the assumption that this variation of the Argentine peso occurred at the same time against all other currencies.

As of December 31, 2003, Telecom had certain non-current investments in bonds issued by the Argentine government and Argentine provinces. The book value of these investments as of December 31, 2003 was approximately P$45 million. In addition, Telecom had certain current investments in Argentine government bonds and foreign sovereign bonds. The book value of these investments as of December 31, 2003 was approximately P$76 million.

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INFORMATION ON TELECOM

Telecom

Telecom is one of the largest private-sector corporations in Argentina in terms of revenues. Telecom has a non-expiring license, which we refer to as the License, to provide fixed-line public telecommunications services and basic telephony services in Argentina. Telecom also provides other telephone-related services such as international long-distance service and data transmission and Internet service, and through its subsidiaries, wireless telecommunications services and telephone directory publishing and data transmission. Through September 30, 1999, Telecom provided domestic and international telephony services in the Northern Region on an exclusive basis. Commencing in October 1999, the Argentine government implemented a deregulation plan introducing competition into the market. See Regulatory Framework Deregulation Plan Established by Decree No. 264/98.

As of December 31, 2003, our telephone system included approximately 3.6 million lines in service. This is equivalent to approximately 20 lines in service per 100 inhabitants in the Northern Region and 320 lines in service per employee.

Our principal executive offices are located at Alicia Moreau de Justo 50, C1107AAB, Buenos Aires, Argentina, telephone number: 54-11-4968-4000.

Our agent for service of process in the United States is Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware, 19715.

Organizational Structure

The following chart shows our principal subsidiaries and affiliated companies as of December 31, 2003, and jurisdiction of organization.

[GRAPHIC APPEARS HERE]

(*) Non-operating company.
(**) In process of liquidation.

Consolidated Subsidiary Information

The following table presents information relating to the activity of, our percent ownership of and the percentage of our consolidated total net sales represented by our consolidated subsidiaries as of December 31, 2003:

Subsidiary(1)	Activity	Percent Ownership	Percentage of Telecom s Total Net Sales
Telecom Personal S.A.	Cellular Telephony and PCS	99.99	26.7
Núcleo S.A. (2)	Cellular Telephony and PCS	67.50	4.3
Telecom Argentina USA Inc.	International Service	100.00	0.9
Publicom S.A.	Publication of Directories	99.99	0.9
Cable Insignia S.A. (2)(3)	Cellular Telephony and PCS	75.00	0.0
Micro Sistemas S.A. (4)	Data Transmission	99.99	0.0

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(1) All incorporated in Argentina, except for Núcleo S.A. (Paraguay), Cable Insignia S.A. (Paraguay) and Telecom Argentina USA Inc. (USA).
(2) Interest held indirectly through Telecom Personal.
(3) This subsidiary is in the process of liquidation.
(4) Not operative as of December 31, 2003.

Recent Developments

The effects of the Public Emergency Law and the devaluation of the peso have made it difficult for us and our subsidiaries to meet our debt service requirements on our outstanding financial indebtedness, principally because most of our revenues have been converted into pesos while most of our liabilities remain denominated in U.S. dollars, euro and Japanese yen. In addition, Telecom has not been able to increase tariffs in peso terms to offset the devaluation because tariffs with respect to a large portion of its business may only be adjusted after renegotiation with the Argentine government. See Information on Telecom Rates.

As a consequence of developments relating to the macroeconomic environment in Argentina and the Public Emergency Law, including the deterioration of the economic situation in Argentina, the devaluation and volatility of the Argentine peso, the pesification of our rates and uncertainties surrounding the adjustment of our regulated rates, in the first half of 2002 Telecom and Telecom Personal announced the suspension of payments of principal and interest on their financial debt obligations. As a result, Telecom and Telecom Personal are in default under their respective outstanding financial indebtedness.

We have been working with our respective financial advisors to develop a comprehensive plan to restructure our financial debt obligations and have consequently developed the restructuring plan presented in this APE solicitation statement. See The APE Solicitation and Description of the APE.

History

Telecom was created by Decree No. 60 of the executive branch dated January 5, 1990 and incorporated as Sociedad Licenciataria Norte S.A. on April 23, 1990. In November 1990, the legal name of Telecom was changed to Telecom Argentina STET-France Telecom S.A. and on February 18, 2004 was changed to Telecom Argentina S.A. .

Telecom is organized as a *sociedad anónima* under Argentine law. The duration of Telecom is 99 years from the date of registration with the Buenos Aires Public Registry of Commerce (July 13, 1990). Telecom conducts business under the commercial name Telecom.

Telecom commenced operations on November 8, 1990, which we refer to as the Transfer Date, upon the transfer from the Argentine government of the telecommunications system in the Northern Region previously owned and operated by Empresa Nacional de Telecomunicaciones, or ENTel. This transfer was made pursuant to the Argentine government s privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees, or the Privatization Regulations, which specified the privatization procedure for ENTel.

The Privatization Regulations provided for:

the division of the Argentine telecommunications network operated by ENTel into two regions, the Northern Region and the southern region of Argentina, or the Southern Region ;

the granting to Telecom and Telefónica of non-expiring licenses to provide basic telecommunication services in the Northern Region and Southern Region, respectively;

the granting to Telintar and Startel, each joint subsidiaries of Telecom and Telefónica, of non-expiring licenses to provide certain telecommunications services; and

the transfer by ENTel of substantially all its assets and personnel and certain contracts to those companies.

On the Transfer Date, pursuant to the terms and conditions of a transfer contract, which we refer to as the Transfer Agreement, the Argentine government sold 60% of Telecom s common stock to Nortel, a holding company formed at that moment by a consortium, or the Consortium, comprised of :

Telecom Italia S.p.A., or Telecom Italia, formerly STET Societá Finanziaria Telefónica p.a., or STET,

France Cables et Radio S.A., or FCR, a member of the France Telecom Group,

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Pérez Companc S.A., formerly Compañía Naviera Pérez Companc S.A.C.F.I.M.F.A., or Pérez Companc and

J.P. Morgan & Co. Incorporated, or J.P. Morgan.

Pursuant to the Privatization Regulations, 10% of common stock was transferred to certain ex-employees of ENTel and Compañía Argentina de Teléfonos S.A., or CAT, by the Argentine government, and the remaining 30% of our common stock was sold to investors, principally in Argentina, the United States and Europe, in an offering completed in March 1992. See Directors, Senior Management and Employees Share Ownership Plan.

On the Transfer Date, Telecom also entered into a management agreement with Telecom Italia and FCR, or the Operators, pursuant to which the Operators agreed to manage the business of Telecom and to provide services, expertise and know-how with respect to Telecom s activities. We refer to this agreement, as amended, as the Management Agreement. See Management Agreement.

On April 15, 1992, Telecom began to provide services to four of the six provinces formerly served by CAT. Telecom provided public telecommunications services on an exclusive basis for a seven-year term, which expired on November 8, 1997. Telecom had the right, subject to regulatory approval and other conditions, to an extension of the period of exclusivity. On March 13, 1998, the Argentine government issued Decree No. 264/98, whereby the period of exclusivity was extended with respect to basic telephony services until October 1999. The decree further provided for a transition period prior to the full liberalization of the telecommunications market. Decree No. 264/98 also applied to Telintar, the holder of the non-expiring license to provide international telecommunications services in Argentina at that time. See Regulatory Framework Deregulation Plan Established by Decree No. 264/98.

On August 12, 1999, Pérez Companc (owner of 25% of the ordinary shares of Nortel), and J.P. Morgan and J.P. Morgan Capital Corporation (jointly owners of 10% of the ordinary shares of Nortel) sold all of their shares of Nortel in equal parts to members of the Telecom Italia Group and FCR.

On May 3, 2000, certain employees of Telecom participating in the employee Share Ownership Plan created by the Argentine government in connection with the privatization of ENTel, sold 44,458,431 Class B shares (represented by 7,600,000 ADSs and 6,458,431 shares) in an offering in the United States and in Argentina.

On March 1, 2001, the SC authorized Telecom to amend our bylaws to expand our corporate purpose to include the marketing of equipment, infrastructure and goods of any type related or complimentary to telecommunications, and the performance of works and provision of all types of services, including consulting and security related to telecommunications, as well as the development of telecommunications technology and information processing systems. This expansion of the corporate purpose has been approved by the CNV.

On September 9, 2003 Nortel was notified of the agreement between the France Telecom Group and the Argentine Werthein Group for the sale of France Telecom Group s interests in Nortel. This agreement was approved by the SC on December 10, 2003 and by the *Comisión Nacional de la Defensa de la Competencia* (the Argentine Commission for the Defense of Competition) on December 16, 2003. See Major Shareholders and Related Party Transactions Major Shareholders.

Our Business

Telecom has a non-expiring license to provide fixed-line public telecommunications services and basic telephony services in Argentina. Telecom owns public exchanges, a local telephone line network, public long-distance telephone transmission facilities and a data transmission network in the Northern Region, and we also own a network in the Southern Region. Telecom provides a variety of telephone-related services, directly or through its subsidiaries.

Telecom s principal services are:

Voice, data and Internet Services. Voice, data and Internet services are comprised of the following:

Basic telephony services. Telecom provides basic telephony services, including local and domestic long-distance telephone services and public telephone services. As of December 31, 2003, Telecom had approximately 3.6 million lines in service;

International long-distance services. Telecom provides international telecommunications service in Argentina including voice and data services and international point-to-point leased circuits; and

Data transmission and Internet services. Telecom provides data transmission and Internet connectivity services, including traditional dial-up connections, dedicated lines, private networks, national and international broadcasting signal transport and videoconferencing services. As of December 31, 2003, Telecom had approximately 155,000 dial-up subscribers and approximately 44,600 Asymmetric Digital Subscriber Line, or ADSL, subscribers to our Internet service.

Other basic telephony services. Other services provided by Telecom include supplementary services such as call waiting, call forwarding, conference calls, voice mail and itemized billing, and telecommunications consulting and telecommunications equipment and maintenance services.

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Wireless Telecommunications Services. Telecom, through its subsidiary Telecom Personal, provides wireless telephone service throughout Argentina via cellular and PCS networks. Telecom also provides cellular and PCS services in Paraguay through Núcleo, a subsidiary of Telecom Personal. As of December 31, 2003, Telecom had approximately 2.6 million wireless subscribers in Argentina and approximately 527,135 in Paraguay.

Directory Publishing. Telecom edits, prints, sells and distributes publications, through our 99.9% owned subsidiary, Publicom. In addition, Publicom sells advertising in such publications and develops and sells advertising linked to telephone service.

See Note 13 to our consolidated financial statements as of and for the years ended December 31, 2003, 2002 and 2001 and Operating and Financial Review and Prospects Factors Affecting Results of Operations for additional information as to our results of operations by business segment.

Through September 30, 1999, Telecom provided domestic and international telephony services in the Northern Region on an exclusive basis. Commencing in October 1999, the Argentine government implemented a deregulation plan introducing competition into the basic telephony service market. As a result, Telecom has commenced offering services throughout Argentina and competes with Telefónica and with a number of new operators throughout our markets. The Argentine telecommunications market was opened to full competition beginning in November 2000. See Competition.

Our operations are subject to a complex series of laws and regulations of the Argentine government. In addition, Telecom is subject to the supervision of the *Comisión Nacional de Comunicaciones*, or the CNC, and the *Secretaría de Comunicaciones*, or the SC, or collectively the Regulatory Bodies. See Regulatory Framework.

The Argentine government has taken certain measures that have affected revenues from the services Telecom provides. By the enactment of the Public Emergency Law, the rates charged by Telecom for measured service, public telephone service, national and international long distance and monthly basic charges and installation charges have been pesified and frozen. Telecom cannot predict when the Public Emergency Law will cease to be effective or how these or other Argentine government regulations may affect our future revenues. See Rates and Operating and Financial Review and Prospects Economic and Political Developments in Argentina.

Voice, data and Internet Services

Telecom is the principal provider of basic telephony services in the Northern Region, and since late 1999 has also provided basic telephony services in the Southern Region. See Competition Basic Telephony and International Long-Distance Services. The term basic telephony services means the supply of fixed telecommunications links which form part of the public telephone network, or are connected to such network, and the provision of local and domestic long-distance telephone service.

Telecom s Domestic Telephone Network

Telecom s domestic fixed-line telephone network includes installed telephones and switchboards, a network of access lines connecting customers to exchanges and trunk lines connecting exchanges and long-distance transmission equipment. The following table illustrates the development of Telecom s domestic telephone network:

	September 30, 1999	December 31, 2000	December 31, 2001	December 31, 2002	December 31, 2003
Number of installed lines(1)	3,577,807	3,723,936	3,800,058	3,802,464	3,800,085
Net lines installed (during each period)	222,941	146,129(3)	76,122	2,406	(2,379)
Net lines installed cumulative	2,006,843	2,152,972	2,229,094	2,231,500	2,229,121
Number of lines in service(2)	3,424,596	3,839,831	3,891,800	3,590,284	3,655,859
Net lines in service added for the period	73,289	415,235(3)	51,969	(301,516)	65,575
Net lines in service added cumulative	2,020,627	2,437,862	2,489,831	2,188,315	2,253,890
Lines in service per 100 inhabitants(4)	19.1	21	21	19	20
Pending applications	16,303	66,900	40,100	20,300	74,800
Total public phones	71,407	80,036	82,176	79,812	80,100

(1) Reflects total number of lines available in switches.

(2) Reflects number of lines capable of generating traffic. Includes direct inward dialing lines, which do not use installed line capacity.

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(3) Reflects information from September 30, 1999 up to December 31, 2000.
(4) Corresponds to the Northern Region.

Basic Telephony Revenue

Monthly Basic Charges. Telecom bills a monthly basic charge to its customers. The charge is based on pulses, valued at the price per pulse prevailing during the periods included in the invoice and, through January 6, 2002, translated to pesos at the applicable exchange rate. See the information contained in Recent Developments above and Rates below. The number of pulses varies depending on the type of customer. Telecom estimates that approximately 88% of lines in service as of December 31, 2003 were for residential customers and approximately 12% were for professional, commercial and government customers. Additionally, due to the regulatory regime, Telecom is obliged to offer discounts to low consumption residential and retired customers.

Measured Service. In addition to a monthly basic charge, Telecom bills a monthly measured service charge from almost all of its customers which is based on telephone usage. Measured service is billed at the price per pulse at the time the call is made and, through January 6, 2002, translated to pesos at the applicable exchange rate. Additionally, due to the competitive environment Telecom had offered discounts to customers mainly for domestic long distance service which reduced the revenues billed for this service. However, these discounts were significantly reduced during 2002. See the information contained in Recent Developments above and Rates below. Charges for local and domestic long-distance measured service vary with the price per unit of usage. The number of units of usage depends on the time of day, the day of the week, the distance traveled and the duration of calls. Historically, the only type of unit of usage used to determine charges had been the pulse, a fixed value unit. During the summer months (December through March) there is a lower consumption of pulses due to the fact that many customers are on vacation.

Local minutes were approximately 13.4 billion during 2003, 13.0 billion during 2002 and 14.0 billion during 2001. A significant portion of these local minutes were related to our 0610 Internet dial-up service.

Domestic long-distance minutes were 2.5 billion during 2003, 2.4 billion during 2002 and 2.5 billion during 2001.

Telecom estimates that in the year ended December 31, 2003, approximately 65% of measured service revenues was generated by residential customers, and approximately 35% was generated by professional, commercial and government customers. Telecom estimates that in the year ended December 31, 2002, approximately 59% of measured service revenues was generated by residential customers, and approximately 41% was generated by professional, commercial and government customers.

Domestic Long-Distance Calls. The price of domestic long-distance calls varies with the time of day, the day of the week, the distance of the call, the duration of the call and the price per pulse existing at the billing time. Our domestic long-distance rate structure was revised effective May 1, 1992 as part of the process of rate restructuring and were further revised in 1997 as part of the rate rebalancing. See Rates. Additionally, due to competition, Telecom offers discounts to customers mainly for domestic long distance service. This practice has reduced the revenues billed for this service.

Internet Access 0610 Service. On March 11, 1998, Telecom began providing a dial-up service called 0610 to enable customers to access the Internet through authorized ISPs at promotional rates. These rates feature an average discount of 47% for 30-minute communications (urban tariff), depending on the time and the day of the week. Traffic generated by the 0610 service amounted to 7.6 billion minutes in 2003, and 7.0

billion minutes in 2002 and 7.4 billion minutes in 2001.

Installation Charges. Revenues from installation charges consist primarily of fees levied for installation of new phone lines. Telecom must gradually reduce installation charges pursuant to an agreement with the Argentine government. See Rates.

Dedicated Lines. Telecom provides dedicated lines primarily to businesses. Dedicated lines are dedicated point-to-point leased lines. In addition to installation fees, Telecom receives revenues from dedicated analog interurban lines that are fixed by pulses according to the price of interurban calls (corresponding to the distance of such calls). Telecom reduced the rates for interurban analog dedicated lines as a consequence of a price reduction under Decree No. 92/97, and for interurban digital dedicated lines in order to maintain consistency with its general tariff structure.

Interconnection Revenues. As of October 1999, Telecom started to collect fees from other operators related to interconnection services which primarily includes access, termination and long-distance transport of calls.

Public Phones. As of December 31, 2003, there were 80,127 public telephones installed of which 8,490 are in the Southern Region. The majority of the public phones are located on premises owned by third parties (such as store owners) who are billed for usage. In an effort to increase the availability of public telephone service, Telecom began to offer incentives to individuals and small companies to encourage them to install public telephones on their premises. Telecom has installed new modular public telephones offering both local and long-distance connections. These telephones accept coins or prepaid calling cards; however, the majority of such phones installed by Telecom only accept prepaid calling cards, which decreases our exposure to theft from public telephones. Additionally, Telecom has installed public telephone telecommunication centers providing access to public telephone, Internet and fax services.

Public phone rates were decreased substantially as a result of Decree No. 92/97. In addition, the liberalization of public telephone services began in December 1998 pursuant to Decree No. 264/98. See Regulatory Framework Deregulation Plan Established by Decree No. 264/98.

Other. Other basic telephony services include charges for supplementary services (such as call waiting, call forwarding, conference calls, voicemail and itemized billing), directory services, access provided to independent operators (co-operatives) and operator assistance.

Telintar and Startel Charges. Telecom charged Telintar primarily for the use of our network and other administrative services, such as billing and collection. See Our Business International Long-Distance Service. Telecom charged Startel primarily for the lease of circuits. Telecom Internacional S.A., or Telecom Internacional, and Startel have been merged into Telecom. See Our Business International Long-Distance Service and Our Business Data Transmission Services and Internet Access Startel.

International Long-Distance Service

Telecom holds a non-expiring license to provide international telecommunications services in Argentina including voice and data services and international point-to-point leased circuits.

Revenues from international long-distance service reflect payments under bilateral agreements between Telecom (or our predecessor subsidiaries) and foreign telecommunications carriers, covering virtually all international long-distance calls into or out of Argentina. Net revenues from international long-distance service therefore consist mainly of:

- amounts earned from outgoing phone calls by our customers (and Telefónica s customers when operations were rendered by Telintar) and from Telefónica s customers through the presubscription process;
- net amounts earned from foreign telecommunications carriers for connection to the Argentine telephone network;
- international telex;
- international point-to-point leased circuits; and

international data services.

The amount of operating revenues from international long-distance service depends on the volume of traffic, the rates charged to local customers and the rates charged by each party under agreements between the Argentine provider and foreign telecommunications carriers. Settlements among carriers are usually made on a net basis. Incoming traffic with carriers measured in minutes was 374 million for year 2003, 274 million for year 2002 and 237 million for year 2001.

Since 2000, approximately 100% of our installed lines have been able to dial international telephone calls directly. Outgoing traffic measured in minutes was 156 million for year 2003, 188 million in year 2002 and 207 million in year 2001.

In years 2003, 2002 and 2001, approximately 16%, 17% and 18%, respectively, of international long-distance outgoing traffic was to the United States. International traffic between Argentina and Brazil, Spain and Uruguay is also substantial.

Since 1992, international tariffs have been reduced annually as a consequence of the application of the price cap. Decree No. 92/97 also resulted in a reduction of approximately 42% of the average weighted tariff for international long-distance calls.

During year 1998, as a result of the combined effect of the rate restructuring and several new promotional plans, outgoing traffic increased and other competitive long-distance telephone services such as call-back continued to decline. During years 1999 and 2000, Telecom reduced international long-distance rates in order to compete with the new providers of long-distance calling services. See Competition Basic Telephony and International Long-Distance Services.

Telecom is connected to the Unisur submarine fiber optic cable, which links Argentina, Brazil and Uruguay and joins with the Americas II submarine fiber optic cable, which connects Brazil, Trinidad and Tobago and the

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United States. Telecom is also connected to the Columbus II submarine fiber optic cable, which links Mexico, the United States, the Virgin Islands, Spain, Portugal and Italy. These cables are connected with the submarine cable network currently in service.

Telecom is a member of a consortium of telecommunications companies involved in the Atlantis II submarine cable system project that provides fiber optics links with Europe, via Brazil, Senegal, Cabo Verde, Spain and Portugal.

Prior to April 30, 1999, Telecom provided international telecommunications services through Telintar, a subsidiary jointly held by Telecom and Telefónica. Effective May 1, 1999, Telecom and Telefónica dissolved Telintar, at which time Telecom commenced providing international long-distance service for the Northern Region through Telecom International, a wholly owned subsidiary. Effective October 1, 1999, Telecom International and Telecom merged, at which point Telecom assumed the rendering of international services. See Regulatory Framework Regulations Applicable to International Telecommunications Services.

Telecom Argentina USA Inc.

Our wholly owned subsidiary in the United States, Telecom Argentina USA Inc., a corporation organized under the laws of the State of Delaware, was granted an FCC 214 license by the Federal Communications Commission, or the FCC, for the provision of international long-distance telecommunications services in the United States. Telecom Argentina USA is currently operating through commuting and transmission facilities rented from other service providers and its business, at the moment, is mainly focused on wholesale long distance international traffic.

Participation in Latin American Nautilus

Telecom held a 10% interest in Latin American Nautilus S.A., a company organized under the laws of Luxembourg, or Latin American Nautilus. The other shareholders of Latin American Nautilus are Telecom Italia, Empresa Nacional de Telecomunicaciones S.A. of Chile and Entel S.A. of Bolivia.

Latin American Nautilus has recorded significant losses, and due to such losses it is reporting negative shareholders equity. In order to remedy this situation, a part of these losses was to be covered through the cancellation of capital stock and a capital contribution of US$291 million by the shareholders. Our Board of Directors has approved the decision not to contribute the percentage that would have corresponded to Telecom s ownership interest. Therefore, after the application of the capital stock to cancel the losses, our shareholders equity in Latin American Nautilus has been cancelled. Telecom s financial statements as of and for the year ended December 31, 2002 included a reserve for the entire value of our shareholders equity in Latin American Nautilus. Therefore, this decision of the Board of Directors did not have any negative financial, operational or other consequences on our business.

Data Transmission Services and Internet Access

Telecom provides Internet and data transmission services including Internet infrastructure and application services, national and international broadcasting signal transport and videoconferencing services.

Data. The data services business includes nationwide data transmission services, national and international broadcasting signal transport and videoconferencing services. Telecom also provides certain value-added services, including electronic standard documents telecommunication software exchange and fax storage and delivery service. The data services business also includes the lease of networks to other providers, telecommunications consulting services, operation and maintenance of telecommunications systems, supply of telecommunications equipment and provision of related services. Corporate data transmission services are provided mainly through frame relay and ATM networks. Telecom has a non-expiring license to provide the aforementioned services.

On September 30, 2000, Telecom began to provide data services directly. Previously, Telecom Soluciones S.A., or Telecom Soluciones, a 99.99% owned subsidiary, and Startel, a company owned 50% by Telecom and 50% by Telefónica had provided data services.

Internet. Telecom introduced our Internet service under the brand name ARNET in 1998. Telecom mainly offers this service in the major cities of Argentina. In recent years, our Internet service has experienced higher demand and usage in less populated areas of the country. Our Internet services include basic dial-up service and high-speed ADSL service. As of December 31, 2003, the service had approximately 199,800 Internet subscribers including approximately 155,200 subscribers to our basic dial-up service and approximately 44,600 subscribers to our high-speed ADSL service.

Telecom has been providing Internet-related services directly to our customers since November 2001. Before November 2001, our Internet services were provided through our subsidiaries Telecom Internet S.A., or Telecom Internet, and Telecom Soluciones, which was merged into Telecom Internet.

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Startel. Prior to January 1, 2000, Telecom provided telex, telegraph, mobile maritime and certain value-added services, including electronic standard documents telecommunication software exchange and fax storage and delivery service through Startel, a company owned 50% by Telecom and 50% by Telefónica. Telecom and Telefónica were subsequently granted separate licenses to render the national telex service and Startel was dissolved.

Wireless Telecommunications Services

Telecom provides wireless telephone services via cellular and PCS networks through its subsidiaries in Argentina and Paraguay.

Wireless Telecommunication Services in Argentina

Telecom provides wireless telephone service throughout Argentina via cellular and PCS networks. Since October 1999, all of our wireless telephony services in Argentina are provided through Telecom Personal, a 99.99% owned subsidiary. Publicom owns the remaining 0.01% of Telecom Personal.

Telecom Personal. Telecom Personal utilizes digital TDMA technology in both networks and offers advanced supplementary cellular services such as voice mail, message signaling, caller-ID, short messaging services, call transferring, call waiting, call conferencing, IVR dialing, national and international roaming and automatic call routing. Telecom Personal has also introduced wireless Internet access. Telecom Personal primarily offers its service on the 850 MHZ and 1900 MHZ frequency bands. Telecom Personal s service offerings include prepaid cellular services. Because customers are not required to enter into contractual commitments, they are able to obtain cellular service based solely on their usage, with no monthly fees. As of December 31, 2003, 81% of Telecom Personal s customers were prepaid.

As of December 31, 2003, Telecom Personal had 2,603,278 million subscribers. At December 31, 2002 Telecom Personal had 2,190,724 subscribers and at December 31, 2001 Telecom Personal had 2,135,804 subscribers. For year 2003, Telecom Personal had consolidated net sales of P$1,170 million. In fiscal year 2002, Telecom Personal had consolidated net sales of P$1,042 million and consolidated net sales in fiscal year 2001 of P$1,835 million.

Telecom commenced offering cellular telephone services in 1993 through Miniphone, a company owned 50% by Telecom and 50% by Telefónica. The initial coverage area included 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, or the Miniphone Region. In 1996, Telecom Personal commenced providing cellular service on one of the two available bands in the Northern Provinces of Argentina outside the Miniphone Region.

Telecom Personal holds cellular licenses over the second band of the Mobile Cellular Radiocommunication Service, or SRMC, in the Miniphone Region and the second band of the Mobile Telephone Service, or STM, in the Northern Region. See Regulatory Framework Regulations Applicable to Mobile Telephone Services. In 1999 Telecom acquired PCS licenses in the Metropolitan Buenos Aires Region, the Southern Region and the Northern Region.

Telecom Personal is implementing a program to enhance its wireless network by transitioning from TDMA technology to GSM technology. Telecom Personal offers this service through the 1900 MHZ frequency band. In 2001, Telecom Personal introduced GSM and GPRS technology into its network. Telecom has initially installed these technologies in some areas of the Metropolitan Area Buenos Aires (AMBA) region and provided partial coverage in some of the main cities of Argentina s interior. The existing coverage is mainly designed to introduce and test the technology in Telecom Personal s network, to start to offer 2.5 generation services and to capture roaming traffic coming from foreign visitors (such as tourists and business travelers).

Miniphone. On July 5, 1999, the SC authorized the division of Miniphone granting Telecom Personal and Unifón separate licenses to continue providing the services provided by Miniphone. Effective October 1, 1999, Telecom Personal and Unifón assumed the rights and obligations involved in rendering services as continuing companies of Miniphone, which was dissolved without liquidation. Telecom Personal and Unifón jointly operate the former Miniphone s 800 MHZ network through a special vehicle named Red-Miniphone Agrupación de Colaboración Empresaria.

Beginning in year 2000, revenues from cellular services previously rendered by Miniphone are contained in Telecom Personal s revenues.

PCS Network Facilities. Telecom Personal acquired its PCS licenses in an auction held in 1999. In addition, prior to its reorganization, Miniphone had acquired a 20 MHZ PCS band in the Metropolitan Buenos Aires Region.

In connection with the acquisition of PCS licenses by Telecom Personal and Miniphone, Telecom has agreed to guarantee certain indebtedness of Telecom Personal and Miniphone relating to payment of future installments of the purchase price for their respective licenses, and has agreed to act as a surety with respect to Telecom Personal s and Miniphone s obligations under the PCS licenses. See Operating and Financial Review and Prospects Liquidity and Capital Resources. See Regulatory Framework Regulations Applicable to PCS Services.

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Wireless Telecommunications Services in Paraguay

Telecom provides wireless telephone services via cellular and PCS networks in Paraguay through Núcleo, which is 67.5% owned by Telecom Personal and 32.5% owned by ABC Telecommunications, a Paraguayan corporation.

Núcleo commenced providing cellular services in Asunción and the surrounding areas in June 1998, using the commercial name Personal. Núcleo has in place a cellular network with 122 cell-sites, using Digital AMPS TDMA technology. The service is being offered through the 800 and 1900 MHZ frequency bands. In 1997, Telecom Personal was awarded a nationwide license to provide cellular services on the B Band, and also acquired an interest in a PCS license for the Asunción and the greater Asunción area, by acquiring shares in Cable Insignia S.A. Núcleo began providing PCS services on December 1, 1998. Núcleo has also been granted licenses to provide Internet access and videoconference and data transmission services in Paraguay.

As of December 31, 2003, Núcleo had approximately 527,000 customers, a decrease of approximately 8,000 customers, or 1.6%, from December 31, 2002. Núcleo had 519,000 customers as of December 31, 2002 and 500,588 customers as of December 31, 2001. For the year ended December 31, 2003, Núcleo had net sales of P$160 million. For the year ended December 31, 2002, Núcleo had net sales of P$177 million. For year ended December 31, 2001, Núcleo had net sales of P$135 million.

In 1997 Telecom Personal agreed to acquire 75% of the outstanding shares of Cable Insignia S.A., or Cable Insignia, a Paraguayan corporation that held a license granted by the *Comisión Nacional de Telecomunicaciones del Paraguay*, or CONATEL, to install and operate a PCS network in several areas of Paraguay at a purchase price of US$1.87 million, payable in two installments. As of October 1, 1998, CONATEL authorized the transfer of Cable Insignia s PCS license to Núcleo. As a result, Núcleo provides both cellular telephony services and PCS services.

Telecom Personal paid the remaining balance of the purchase price for the acquisition of Cable Insignia s shares in February 2003. Cable Insignia is in the process of liquidation.

Directory Publishing Publicom

Telecom owns a 99.99% interest in Publicom, while Nortel owns the remaining 0.01%. Publicom s principal business is editing, printing, selling and distributing publications, including telephone subscriber directories in the Northern Region, yellow pages, leaflets, magazines, annuals and other directories. In addition, Publicom sells advertising in these publications and develops and sells advertising linked to telephone service. Pursuant to regulations of the SC, Telecom through Publicom must provide, on an annual basis, all clients with free telephone directories for the area of their respective domicile. Publicom also holds a 5.75% interest in Nahuelsat S.A., or Nahuelsat, a company that provides, installs and operates satellite communications systems and markets these services.

For the year ended December 31, 2003, Publicom had net sales of P$39 million. For the years ended December 31, 2002 and 2001, Publicom had net sales of P$37 million and P$190 million, respectively. Since October 2001, the activities performed by the call center for the 110 number and its employees have been transferred to Telecom.

Management Agreement

On the Transfer Date, Telecom entered into the Management Agreement with the Operators pursuant to which the Operators agreed to manage the business of Telecom and to provide services, expertise and know-how with respect to the entire range of activities conducted by Telecom. As required by the List of Conditions, the Management Agreement provides the Operators with full management powers. On December 10, 2003, the SC authorized the Telecom Italia Group to be Telecom s exclusive Operator. The basic terms and conditions of the Management Agreement are set forth below.

Operator Responsibilities

The responsibilities of the Operator include:

- the provision of knowledge and expertise;
- the provision of personnel, particularly highly qualified management personnel;
- the development of general policies and strategies; and
- the application of the most appropriate technology and expertise available.

Duration

The initial term of the Management Agreement was seven years from the Transfer Date. It was automatically extended upon the extension of the exclusivity period as provided for by the List of Conditions. Under the original Management Agreement, the parties were obligated to begin renegotiations of an extension of the Management Agreement six months before its expiration.

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The Management Agreement does not provide for specific events of termination. Termination of this agreement without the consent of the relevant Regulatory Body is a basis for revocation of our License.

On August 9, 1999, the Operators and Telecom negotiated an amended Management Agreement with approximately the same terms and conditions for a period of five years. This contract can be renewed for an additional period of five years by agreement of both Telecom and the Operator under certain circumstances.

Management Fee

Under the Management Agreement, the Operators were entitled to receive an annual management fee equal to 3% of our total annual revenues, net of VAT and turnover tax, payable quarterly in dollars. In addition, Telecom had agreed to pay the Operators separate fees for any special services rendered by the Operators. Telecom had also agreed to pay any Argentine withholding taxes applicable to the management fee to be received by the Operators. As discussed in more detail below, upon the request of Telecom, the Operators agreed to suspend the management fee from April 1, 2002 until the end of the contract in October 2004. For the 2003 fiscal year, the total fees paid under the Management Agreement, relating exclusively to fees for special services, were approximately P$6 million.

Amendment of the Management Agreement

As part of our plan to reduce expenses and investments in order to minimize the effects of the severe Argentine economic crisis affecting the business of Telecom, Telecom undertook negotiations with the Operators on amendments to the Management Agreement. In October 2001, considering the recession existing in Argentina, the Operators and Telecom agreed to temporarily reduce the Management Fee set forth in section 2.7 of the Management Agreement from 3% to 1.25%. The parties agreed that this reduction would not affect the services to be rendered by the Operators and would be applied from October 1, 2001 to March 31, 2002.

Additionally, Telecom subsequently requested that the Operators suspend the collection of the Management Fee from April 1, 2002 until the state of economic emergency declared by the Public Emergency Law subsided.

In May 2002, the Operators agreed to temporarily suspend, from April 1, 2002 until December 31, 2002, certain provisions stated in Article II of the Management Agreement (which includes the provisions relating to payment of the Management Fee) except for the provisions relating to the collaboration between highly qualified personnel of the Operators and Telecom. This amendment does not affect our rights to require the Operators to provide assistance on specific projects upon request in compliance with Article III of the Management Agreement. In December 2002, in light of the continuing crisis in Argentina and its impact on Telecom, the Operators agreed to extend this suspension until the end of the contract in October 2004.

Further, the Operators, in compliance with Decree No. 62/90, confirmed their commitment to give Telecom all of the support and cooperation reasonably within their reach in order to help Telecom overcome our current difficulties. Telecom has agreed to reimburse the Operators travel expenses in connection with management services provided during the suspension of the Management Fee.

FCR is no longer an Operator of Telecom following the SC authorization that was granted on December 10, 2003. As a result, the France Telecom Group is no longer a party to the Management Agreement. The Management Agreement will continue remain in effect between Telecom and Telecom Italia (as exclusive Operator of Telecom), on the terms agreed to by Telecom and Telecom Italia.

Description of Operator

The Telecom Italia Group, which has an indirect interest in Telecom, is now our exclusive Operator. As of December 10, 2003, the Telecom Italia Group was one of the world s largest fixed telecommunications operators, with approximately 27.1 million subscriber fixed-lines installed (including ISDN equivalent lines). Through Telecom Italia Mobile S.p.A., or TIM, the Telecom Italia Group was also the largest mobile telecommunications operator in Italy and one of the largest in the world, with approximately 41.3 million mobile lines (which includes 33.2 million lines in which it had an economic interest, or proportionate lines). The Telecom Italia Group also had 5.8 million mobile lines (2.0 million proportionate lines) through companies indirectly owned through Telecom Italia International. In Italy, TIM is one of three operators with the right to provide GSM digital mobile telecommunications services and one of three operators with the right to provide DCS 1800 digital mobile telecommunications services (the fourth operator, Blu, was acquired in October 2002 and merged into TIM in December 2002). TIM is one of five entities which have acquired a UMTS license to provide third generation mobile services in Italy.

The Telecom Italia Group also provides leased lines and data communications services, Internet services and IT software and services. Following the merger between Telecom Italia and Olivetti effective August 4, 2003, as a result of which Olivetti changed its name to Telecom Italia S.p.A., Telecom Italia operates in the IT office products, specialized application for service automation in banking retail, gaming and public authorities services and specialized automation systems sectors.

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Competition

Basic Telephony and International Long-Distance Services

Prior to November 1999, Telecom held an exclusive license to provide basic telephony services to the Northern Region. The term basic telephony services is defined in the List of Conditions as the supply of fixed telecommunications links which form part of the public telephone network or are connected to this network and the provision of local and domestic long-distance telephone service. Our License was granted on an exclusive basis for a period of seven years from the Transfer Date, subject to our compliance with specified quantitative and qualitative conditions. On March 13, 1998, the Argentine government issued Decree No. 264/98, which extended the period of exclusivity with respect to basic telephony and international long-distance services until October 1999. The decree further provided for a transition period prior to the full liberalization of the telecommunications market. Telintar was also covered by the terms of Decree No. 264/98. See Regulatory Framework Deregulation Plan Established by Decree No. 264/98.

As a result of the liberalization plan, Telecom began to offer telephone services in the Southern Region in October 1999, and has begun to face competition in the Northern Region. Pursuant to SC Resolution No. 91/99, the Argentine government granted Telecom a non-expiring license to provide fixed-link local, national and international long-distance telephony, and data transmission as well as for the provision of national and international point-to-point links, and the power to lease links to other providers of telecommunications services in the Southern Region of the country under the terms of a license agreement signed with the SC by Telecom on March 31, 1999. Telefónica has the dominant market share for provision of telecommunication services in the Southern Region.

During the transition to full liberalization of the market established by Decree No. 264/98, Telecom competed in the basic telephony service throughout Argentina with Telefónica and with two new entrants to the market: CTP, led by Movicom, and Compañía de Telecomunicaciones Integrales S.A., led by CTI.

Decree No. 764/00 established the general regulation of licenses and provided that each licensed company was allowed to launch its services in November 2000 when the full liberalization of the telecommunications market began. As of the date of this solicitation statement, the main licensees providing local and/or fixed long-distance telephone service are Techtel, Impsat, AT&T Argentina, CTI, Movicom Bell South, MetroRed, IPlan, Comsat, Telefónica (in the Northern Region) and Telecom (in the Southern Region). Some of these competitors may be better capitalized than us and have substantial telecommunications experience. Accordingly, if the economic conditions in Argentina improve and competitors increase their presence in the Northern Region, Telecom expects that it will face additional pressure on the rates it charges for its services and experience loss in market share in the Northern Region.

Wireless Telecommunications Services

The cellular telecommunications market in Argentina has been open to competition within each service area. However, as a result of the award of several PCS licenses in 1999, additional competitors have begun to offer PCS services in the different cellular service areas. Beginning in year 2000, each service area has four wireless operators combining cellular and PCS services. These four operators are Telecom Personal, Unifón, Movicom and CTI.

Unifón operates SMRC services through the 800 MHZ band in the Buenos Aires metropolitan area and also holds a 40 MHZ PCS license for the Northern Region and an additional 20 MHZ PCS license in the Southern Region, its original service area. Telecom understands that as of December 31, 2003, Unifón provided cellular services to approximately 1,956,600 subscribers.

Movicom, a company owned and operated by a consortium including Bell South, Motorola, BGH S.A. and several other investors, introduced cellular service to Buenos Aires in 1989, operating the first band of the SRMC in the Buenos Aires metropolitan region through the 800 MHZ band. Movicom currently operates in the Buenos Aires metropolitan region and also holds a 40 MHZ PCS license for the Northern Region, a 40 MHZ PCS license in the Southern Region and an additional 20 MHZ PCS license in the Buenos Aires metropolitan area. Telecom understands that as of December 31, 2003, Movicom provided cellular services to approximately 1,739,800 subscribers.

CTI has provided cellular service in the Northern and Southern Regions outside of the Buenos Aires metropolitan area since 1994 through the 800 MHZ band. CTI also holds a 40 MHZ PCS license in the Buenos Aires Metropolitan Area and the 20 MHZ PCS licenses in the Northern and Southern Regions. Telecom understands that as of December 31, 2002, CTI provided cellular service to approximately 994,638 subscribers. Telecom also understands that in October 2003, América Móvil S.A., a Mexico-based wireless telephony company, acquired a controlling interest in CTI and announced plans to make significant investments into the modernization of CTI s technology.

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In March 2004, BellSouth Corporation announced that it agreed to sell its interest in its Latin American cellular operations to Telefónica Móviles, the wireless affiliate of Telefónica, S.A. Telefónica, S.A. announced that Telefónica Móviles will become the world s fourth largest wireless operator after the sale is completed. According to Telefónica, S.A., Telefónica Móviles will become Argentina s largest cellular operator with more than 3.3 million customers and will hold a 35% share in the Latin American cellular market. Telecom understands that as a result of the Telefónica Móviles transaction, Unifón and Movicom have announced plans to merge.

Internet and Data Services

We face nationwide competition in the Internet service market in Argentina from Telefónica (Advance), AT&T, IPlan, Grupo Clarín (Prima), Netizen, Fullzero, UOL and Cablevisión (Fibertel), among others. Telecom believes, based on research conducted by it, that ARNET is the leading ISP in Argentina, with an estimated market share of 29% in the Northern region, compared to Grupo Clarín (Prima), with an estimated market share of 24% in the Northern region and UOL, with an estimated market share of 9% in the Northern region. Our data services business faces competition from Telefónica and from several providers of niche data services such as Impsat, MetroRed, Comsat, AT&T and IPlan.

General

The terms of the notes will impose certain operating and financial restrictions on us that will limit our ability to make capital expenditures and other investments and may restrict us from implementing new technologies in a timely fashion, while our competitors who do not face similar constraints may be able to offer better services, functionality, speed and services to our customer base. See Risk Factors Telecom s business operates in a competitive environment which may result in a reduction in its market share in the future. Additionally, Telecom expects that the level of competition in its markets will increase in the future.

Legal Proceedings

Telecom, Telecom Personal and Publicom are parties to several civil, tax, commerce and labor proceedings and claims that have arisen in the ordinary course of business. As of December 31, 2003, Telecom has established reserves in an aggregate amount of P$224 million to cover potential losses related to these claims in its consolidated financial statements.

Bankruptcy and Summary Attachment Proceedings; Acceleration of Indebtedness

We are aware of 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$2.9 million (based on exchange rates as of May 1, 2004). We have been served with process and have filed the required formal responses for each of these claims. In addition, certain attachments have been granted over an aggregate amount of approximately US$3.1 million (based on exchange rates as of May 1, 2004) of funds and assets of Telecom. As of December 31, 2003, Telecom had received notices of acceleration with respect to the equivalent of approximately P$309 million aggregate principal amount of debt of Telecom and approximately P$294 million aggregate principal amount of debt of Telecom Personal. We do not expect that these 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.

Labor Claims for which ENTel is Liable

The Transfer Agreement provides that ENTel, and not Telecom, is liable for all amounts owing in connection with claims based upon ENTel s contractual and statutory obligations to former ENTel employees, whether or not these claims are made prior to the Transfer Date, if the events giving rise to these claims occurred prior to the Transfer Date. However, using a theory of successor enterprise liability that they assert is based upon generally applicable Argentine labor law, certain former employees of ENTel have brought claims against Telecom, arguing that neither the Transfer Agreement nor any act of the executive branch of the Argentine government can be raised as a defense to our joint and several liability under allegedly applicable labor laws.

In an attempt to clarify the issue of successor liability for labor claims in favor of Telecom, Decree No. 1803/92 was issued on September 29, 1992 by the executive branch in Argentina. It stated that various articles of the Work Contract Law of Argentina, or the Articles, which form the basis for the foregoing claims of joint and several liability, would not be applicable to privatizations completed or to be completed under the State Reform Law. However, in December 1996, in a case in which Telefónica (Telecom s competitor) was party, the Supreme Court found the Articles to be applicable to privatizations and therefore concluded that transferors and transferees under these privatizations are jointly and severally liable for obligations arising from employment contracts.

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As of December 31, 2003, the total amount of these labor claims filed against Telecom, including accrued interest and expenses with respect thereto, was approximately P$16 million. Interest and expenses continue to accrue on this amount until it is paid in full. Telecom believes that the pending claims will not have a significant effect on our results of operations or financial position for these claims for two reasons: (1) under the Transfer Agreement, ENTel has expressly agreed to indemnify Telecom in respect of these claims and (2) the Argentine government has agreed to be jointly and severally liable with ENTel in respect of these indemnity obligations and has authorized Telecom to debit an account of the Argentine government at *Banco Nación* for any amounts payable by the Argentine government under this indemnity. Under the Debt Consolidation Law, ENTel and the Argentine government may discharge their above-described obligations to Telecom by issuing 16-year bonds to Telecom. In its ruling, the Supreme Court recognized the right of licensees to demand that the Argentine government comply with its Transfer Agreement obligations.

Although we cannot assure you as to the outcome of these proceedings, in the opinion of our management and internal legal counsel, the final outcome of these proceedings will not have a material effect on our financial position and results of operations.

Consumer Trade Union Proceedings

In November 1995, Telecom was served with notice of a complaint filed by a consumer trade union, *Consumidores Libres Cooperativa Limitada de Provisión de Servicios Comunitarios*, against Telecom, Telefónica, Telintar and the Argentine government. The suit seeks to declare null, illegal and unconstitutional all tariff rules and agreements as of the Transfer Agreement and to reduce the tariffs of the licensees so as to obtain a return rate not in excess of an annual 16% on fixed assets as described in the List of Conditions. Furthermore, the complaint seeks reimbursement of sums allegedly received in excess of the 16% return rate as well as sums resulting from the reduction in the rate of the city of Buenos Aires turnover tax, contending that the reduction has not been approved for the region of the city of Buenos Aires. The Court of Appeals rejected some objections and has postponed the consideration of the others until it issues its final decision. In October 2001, the federal Chamber of Appeals for Contentious and Administrative Matters issued a precautionary measure, or the Precautionary Measure. The Precautionary Measure requires the Argentine government and the co-sued companies, including Telecom Argentina, to abstain from applying the corrections set forth in art. 2 of the agreements approved by Decree No. 2585/91 until a final sentence is issued. On October 29, 2001, Telecom filed an extraordinary appeal to the Argentine Supreme Court of Justice against the Precautionary Measure. The case is currently still pending. This measure suspended the ability of the telecommunications companies to increase tariffs by reference to the U.S. consumer price index. The Public Emergency Law and the reformation of the exchange regime, however, has an analogous result to that proposed by the Precautionary Measure by prohibiting, as of January 6, 2002, contracts held with the public administration, including public work and services contracts, from being adjusted to dollars or other foreign currencies.

On October 22, 2003, Law No. 25,790 was published in the Official Gazette. It provides for the extension (up to December 31, 2004) of the term for renegotiating public works and services contracts provided for by article 9 of the Public Emergency Law. It also provides that the Argentine government s decisions related to the renegotiations of the above mentioned contracts will not be limited or conditioned by the regulations currently in effect. The extension of the term of the Public Emergency Law through December 31, 2004 was approved by Law No. 25,820 published in the Official Gazette on December 4, 2003. Consequently, Telecom does not expect the claims described above to be continued at this time.

Although we cannot assure you as to the outcome of these proceedings, in our opinion, based on the information available to us and the opinion of our legal counsel, the possibility that the above-mentioned proceedings will have a significant impact on our financial position is remote.

On August 14, 2003, Telecom was served notice of a legal action brought by *Consumidores Libres Cooperativa Limitada de Provisión de Servicios Comunitarios* against Telecom, Telefónica and the SC. The action was filed before the Federal Court in Administrative Litigation Matters No. 8 and requests the reimbursement of certain charges related to special equipment included in monthly basic charges billed by

Telecom. On August 22, 2003, Telecom contested this claim on the grounds that the charges are valid since they were expressly provided for under applicable administrative rules and regulations.

Although we cannot assure you as to the outcome of this proceeding, in the opinion of our management and internal legal counsel, the final outcome of this proceeding will not have a material effect on our financial position and results of operations.

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Proceedings Related to Promotion and Protection of Investments

On April 24, 2003, Telecom Italia filed a notice with the relevant Argentine authorities for the formal commencement of proceedings to resolve its dispute with the Argentine government pursuant to the Bilateral Agreement between Italy and Argentina Concerning the Promotion and Protection of Investments. The proceedings are aimed at receiving compensation for the damages deriving from the implementation, on the part of the Argentine government, of measures considered to be detrimental to Telecom Italia s investment in Telecom. The filing of the notice started a six month period in which the parties shall attempt to effect an amicable settlement. If no decision is reached during this period, Telecom Italia will have the right to initiate specific arbitration proceedings.

In addition, FCR filed notices with the relevant Argentine authorities under the terms and conditions of bilateral agreements between Argentina and France concerning the protection of investments.

Tax Matters

On March 4, 2000, our subsidiary, Micro Sistemas, received a notice from the Secretary of Treasury requesting Micro Sistemas to pay P$1,147,373 in tax with respect to its failure to comply, prior to its acquisition by Telecom Soluciones, with the terms and conditions of a special tax regulation applicable to Micro Sistemas. On December 15, 2000, Micro Sistemas sent a response to the tax authority (i) stating that the notice should be nullified because the statutory period for making such a claim had passed and (ii) objecting to the tax authority s assertion that Micro Sistemas had not complied with the terms and conditions of its special tax rate. This matter is still pending but legal counsel for Telecom has indicated that the possibility that Micro Sistemas will have to pay the tax is remote. Further, if Micro Sistemas is required to pay this tax, Telecom may be able to recover all or a portion of the tax pursuant to the indemnity provided by the former owners of Micro Sistemas pursuant to the contract pursuant to which Micro Sistemas was purchased in 1997.

A criminal court in Argentina is currently reviewing a case commenced by the AFIP against companies that issued invoices for services that would not have been rendered to third parties. In connection with this proceeding, in November 2002 the court required several Argentine companies, including Telecom, to provide tax related information and collected invoices issued by the companies under investigation that were found in their possession. As a result of the query, Telecom initiated internal investigations which revealed that during 2001 Telecom paid invoices to two companies (one of these two companies is the issuer of the invoices that the court collected, as described above), for an amount equal to P$1,200,000 to each company. Until now, Telecom has not been able to confirm that the services itemized in the invoices were effectively rendered to Telecom. Although as of this date Telecom has not had access to the claim initiated by Argentina s tax regulatory body and has not been summoned to appear before the court, the Board of Directors resolved to make any necessary tax adjustments and payments to adjust this matter in compliance with current tax laws.

In October 2002, Telecom was served notice by the CNC of a resolution requesting Telecom Argentina to refrain from billing their customers for any municipal tax increase to which Telecom is subject, and to refund customers for any amount charged in connection with municipal tax increases. Telecom has appealed this resolution. In November 2003, Telecom filed a complaint asserting its right to transfer municipal taxes to its customers. Telecom s complaint is pending court resolution.

Additional tax matters are discussed under Operating and Financial Review and Prospects Taxes Turnover Tax.

Government-Sponsored Internet Fund

In July 2003, Telecom Argentina was served notice by the CNC of a resolution requesting Telecom to contribute P$46.6 million to a government-sponsored Internet program called argentina@internet.todos. As of December 31, 2003, Telecom has recorded P$13 million in connection with this program, which is included in other liabilities. The difference between the amount requested by the CNC and the recorded amount corresponds to interest and indexing. Even though it is not possible to determine the merits of these proceedings, in the opinion of Telecom s management and its internal legal counsel, the final outcome of this resolution will not have a material effect on Telecom s financial position and results of operations.

General Proceedings

There are several proceedings that have been initiated against us with respect to alleged regulatory violations from 1999 to 2003. If the outcomes of these proceedings are unfavorable to us, they could result in fines of approximately P$7,800,000. For each of these proceedings, we are challenging CNC s imposition of fines before administrative authorities and/or the courts. The most significant of these proceedings relate to the printing of telephone directories in small font sizes which were allegedly not clear enough to read and did not comply with the terms to remedy such non-compliance for which the CNC imposed a fine of approximately P$1,200,000; problems relating to the implementation of the Genesis system (billing software) for which the CNC imposed a fine of

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approximately P$900,000; problems relating to failures in the process of presubscribing in several cases for which the CNC imposed a fine of approximately P$890,000; and problems due to the transfer of tax increases to the billing to clients for which the CNC imposed a fine of approximately P$420,000.

In 1999, the Argentine national environmental agency (*Secretaría de Medio Ambiente y Desarrollo Sustentable*) initiated an administrative proceeding against us in accordance with Argentine environmental law in relation to our waste management based on liquid drainage at an underground chamber. The action was brought to require Telecom to register with the National Register of Generators and Operators of Hazardous Waste. Such registration requires Telecom to pay an annual fee which is calculated by applying a formula that considers the extent of the hazard and quantity of the waste. Telecom believes that its activities do not generate these wastes, and that the waste in the underground chamber was generated by other parties. Telecom nonetheless removed the liquid drainage in accordance with environmental law. We have filed the requisite formal responses in connection with this administrative proceeding and we believe that we will not have to register with any environmental agency as a result of this liquid drainage.

For a description of certain administrative appeals made by Telecom with respect to certain regulatory actions, see Information on Telecom Regulatory Framework Reconsideration Request and Information on Telecom Regulatory Framework Regulations Applicable to Mobile Telephone Services. For a description of certain tax matters, see Operating and Financial Review and Prospects Taxes.

Rates

Pursuant to the original terms of the Transfer Agreement, Telecom was permitted to adjust the rates we charged for domestic telephone calls in accordance with the monthly variation of the Argentine consumer price index, or Argentine Consumer Price Index, or, in certain circumstances, a weighted average of the Argentine Consumer Price Index and the devaluation of the Argentine currency against the dollar. The Convertibility Law (see Operating and Financial Review and Prospects Economic and Political Developments in Argentina), which took effect on April 1, 1991, however, prevented the operation of this indexing mechanism; as a general matter, the Convertibility Law prohibits peso-based price adjustment mechanisms.

On November 28, 1991, Telecom and Telefónica signed an agreement, or the November Agreement, with the Argentine government providing for rates to be dollar-based and, at the election of each of Telecom and Telefónica, adjusted semi-annually according to the U.S. consumer price index, or the U.S. CPI. The November Agreement was ratified by Decree No. 2585/91 and became effective on December 18, 1991. On February 28, 1992, the Argentine government and Telecom entered into a supplemental agreement, or the February Agreement, which was ratified by Decree No. 506/92 (the November Agreement, as supplemented by the February Agreement, is referred to as the Rate Agreement).

Public Emergency Law

As a consequence of the severe and ongoing deterioration of the economic situation of Argentina, effective January 6, 2002, the Argentine government has introduced measures that have had and are expected to continue to have a significant impact on the operations of Telecom, particularly on rates. On January 6, 2002, the Argentine government enacted the Public Emergency Law and applicable regulations including Decree No. 293/02, putting an end to ten years of dollar-peso parity under the Convertibility Law. The Public Emergency Law also has:

converted to and fixed as pesos (at a rate of P$1.00=US$1.00) all tariffs for measured service, public telephone service, long distance, some supplementary services and monthly basic and installation charges;

eliminated contract clauses providing for adjustments to the value of payments with reference to the United States dollar or other foreign currencies as well as any indexation clauses (based on price indexes of other countries) or similar mechanism; and

established that certain contracts signed between the Argentine government and privatized companies (such as Telecom) will be renegotiated, including tariffs that Telecom may charge in the future.

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

Rate Rebalancing Established by Decree No. 92/97

At the time of ENTel s privatization, the need for a future amendment of rates to rebalance the pricing of domestic and international charges was foreseen. Subsequent agreements established the right of licensees to a rate rebalancing and set forth some mechanisms to implement a new tariff structure.

Decree No. 92/97 provided for a significant reduction in domestic and international long-distance rates, an increase in basic telephony charges, the elimination of free pulses and an increase in urban rates. The rate rebalancing established by Decree No. 92/97, or the Rate Rebalancing, was undertaken as part of the Argentine government s plan to create a competitive environment in the Argentine telecommunications industry, a plan which was initially adopted in connection with the privatization of ENTel in 1990.

The new rate schedule was intended to reduce cross-subsidies (particularly those existing between urban and long-distance services) to create a competitive environment beginning in the year 2000. The preservation of the licensees financial position was one of the main principles of the Rate Rebalancing. Decree No. 2585/91 established that the Rate Rebalancing should have a neutral effect on the licensees revenues. In developing the tariff structure implemented by Decree No. 92/97, the Argentine government relied on studies which demonstrated that because of the elasticity of demand for telephone service, an increase in demand for lower-priced services would compensate for the rate reductions. Decree No. 92/97 established corrective mechanisms to facilitate neutral results on revenues. The *Banco Interamericano de Reconstrucción y Fomento*, or InterAmerican Bank for Reconstruction and Development, was responsible for making measurements on a semi-annual basis, over a two year period, to determine the effects of the Rate Rebalancing.

Decree No. 92/97 provides for a mechanism to offset changes in revenue resulting from the Rate Rebalancing at the time of applying the price caps.

The variation in revenues resulting from the Rate Rebalancing for the two-year period beginning February 1997 was determined to amount to an increase of P$9.5 million. In accordance with SC General Resolution No. 4269/99, this amount will be included in a future tariff reduction, although the Regulatory Bodies have not yet determined how to implement this reduction. This issue will be addressed in the current tariff renegotiations in conjunction with the other pending tariff issues.

Rates

The rates charged by Telecom are subject to the regulations described under Regulatory Framework. The following table sets forth certain of our maximum month-end rates for various components of local service and domestic long-distance service in pesos converted to US dollars based on the month-end exchange rates for the periods indicated(1):

	December 1999	December 2000	December 2001	December 2002(4)	December 2003
Residential:					
Installation charge per line	150	150	150	150	150
Monthly Basic Charge per line(2)	13.23	13.23	13.23	13.23	13.23
Commercial:					
Installation charge per line	150	150	150	150	150
Monthly Basic Charge per line(2)	33.91	27.30	27.30	27.30	27.30
Prices:					
Price per pulse (nominal)	0.0469	0.0469	0.0469	0.0469	0.0469
Exchange Rate P$/US$(3)	1.00	1.00	1.00	3.37	2.93

(1) Figures shown do not include value added tax charged to customers.

(2) Under the Rate Agreement, customers are billed in pesos at an exchange rate of the average of the closing bid and offer prices quoted by *Banco Nación* for wire transfers of dollars on the day before each bill is prepared.

(3) Represents *Banco Nación* offered rate on the last day of the month for wire transfers of dollars.
(4) In accordance with the Public Emergency Law these rates were pesified at the exchange rate of US$1.00 = P$1.00.

Many of our charges, such as the monthly basic charge and measured service charges, are calculated using pulses, a basic service unit. Effective November 1, 1999, the maximum rate per pulse (which was denominated in dollars until December 31, 2001) was US$0.0469 (an increase of approximately 1.5% from the rate in effect from April 1999 through October 1999). As of the date of this solicitation statement, this was the last time the maximum rate per pulse was changed. However, changes corresponding to years 2000 and 2001, although not directly applied on the price per pulse, were included in the 2000 and 2001 price cap negotiation. Until December 31, 2001, customers were billed in pesos based on the conversion of the applicable rate (which in certain cases at our election could be lower than the maximum rate permitted by the Rate Agreement) into pesos at the exchange rate prevailing at the time of billing. This rate adjustment scheme has been eliminated by the enactment of the Public Emergency

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Law. Telecom is currently negotiating the rates for regulated services that Telecom may charge in the future. Because of the current economic and political conditions in Argentina, no assurance can be given regarding the future application of this method of calculating rates or whether, if this calculation method is continued, the expression of the rate per pulse in dollars or its adjustment in accordance with the U.S. CPI would have an adverse effect on the financial condition and results of operations of Telecom, particularly if the U.S. dollar-Argentine peso exchange rate remains fixed but Argentine inflation rates continue to exceed U.S. inflation rates.

Price Cap. The List of Conditions required that rates be reduced annually until the regulatory bodies determine that there is effective competition in the markets we serve. A 2% (measured in real dollar terms) reduction in the prior year s rates was required for each of the third through the seventh year following the Transfer Date (through November 7, 1997). In addition, following the extension of the exclusivity period, rates were required to be 4% lower (measured in real dollar terms) than the prior year s rates. This requirement is maintained pursuant to the Rate Agreement, whereby Telecom is permitted to effect aggregate rate reductions by lowering rates for some or all categories of service, *provided* that net reductions meet the applicable targets. The price cap regime will continue in those areas without effective competition. As of the date of this solicitation statement there is no effective competition declared by the regulatory bodies. Therefore, the price cap mechanism is still applicable although no further reductions have been applied since October 2001. See Agreement with Argentine government to Reduce Rates and Regulatory Framework Deregulation Plan Established by Decree No. 264/98.

Agreement with Argentine Government to Reduce Rates. On December 15, 1999, the Argentine government, Telecom and Telefónica agreed to implement certain modifications to the tariff structure in order to facilitate Argentine government actions to improve the level of competitiveness of the Argentine economy.

Among other issues, the agreement contemplated:

- a 19.5% reduction in the monthly basic charges for commercial and governmental customers;
- a 5.5% reduction in revenues from residential customers from local basic telephony service (these reductions were made available to customers that requested the rate reduction); and
- the continuance of the 0610 Internet access dial-up charge to residential customers.

These tariff modifications were taken into account in the rate reductions when the price cap reduction of November 2000 was applied. The rate modifications came into effect as of March 1, 2000. The reductions to residential customers were applied by means of different pricing plans.

The impact of the adjustments to these items through November 2000 was to be applied on a pro rata basis to the price cap reductions for the years 2000, 2001 and 2002, carried forward at an interest rate of 12%. Additionally, the impact of the adjustments described above for the period November 2000 to October 2001 was to be applied to the price cap reduction of November 2000.

On April 6, 2000, the Argentine government, Telefónica and Telecom signed an agreement that set the effective price cap reduction at 6.75% for the period of November 2000 to November 2001. The price cap reductions contemplated that 6% of this reduction would be implemented through the items listed below:

the continuation of the reduction in basic monthly charges for commercial and governmental customers and pricing plans for residential customers that came into effect as of March 1, 2000;

Telecom would provide 110 (information) services free of charge from January 2000 until November 2001; and

the price of the pulse would not be adjusted in accordance with U.S. C.P.I. in April 2000 and in October 2000.

The licensees were permitted to decide how to apply the remaining reduction. In the event that by November 2001 the reduction in these items does not achieve the effective price cap reduction of 6.75%, the Argentine government was to determine which items shall be subject to additional reductions in order to achieve the effective price cap reduction up to 6.75%. As of the filing date of this solicitation statement, the regulatory agent had not yet reached a decision as to whether the reductions implemented by Telecom reached the agreed upon reduction of 6%. This issue will be addressed in the current tariff renegotiations in conjunction with the other pending tariff issues.

In October 2001, a preliminary injunction against us carrying out any tariff adjustments by reference to the Consumer Price Index in the United States was issued. Telecom appealed this injunction arguing that if one part of the formula cannot be applied, the price cap system should be nullified. Finally, Public Emergency Law No. 25,561 prohibited tariff adjustments explicitly.

Installation Charges. Under the Rate Agreement, Telecom was required to gradually reduce installation charges so as to achieve pricing levels equal to those for internationally mature networks (estimated in the Rate Agreement to be US$250) and to eliminate distinctions between residential and commercial users by November 1996. Installation charges were reduced annually until 1999 when the charges reached their current levels. Additionally, Telecom has been applying several promotions to installation charges. Decree No. 92/97 established that beginning in November 1997 installation charges may not exceed the amount charged in mature international markets. Actual levels of installation charges are P$150.

Monthly Basic Charges. Until the effective date of Decree No. 92/97, customers were entitled to a certain number of free pulses per line depending on the category of each customer and the number of lines in the area. As a consequence of the application of Decree No. 92/97 and in order to offset tariff reductions in domestic and international long-distance services, free pulses were eliminated for all categories of customers, and monthly basic charges were equalized throughout the country. Decree No. 92/97, however, provided for a special reduced tariff that is available to certain low consumption residential and retired customers.

Long-Distance Tariffs. The application of annual reductions to the general level of rates established in the List of Conditions (price cap) has been implemented mainly by reducing the long distance rates but especially in local service and discounts to certain public entities, including fire departments and public libraries.

Decree No. 92/97 reduced the current average weighted domestic long-distance tariff by approximately 33%. Under this revised tariff schedule, interurban tariffs were significantly reduced, with maximum long-distance tariffs reduced by 56%. Calls within Provincial Code 1 (up to 30 Km) made within provincial cities are now billed at an urban tariff, representing a significant reduction.

Regulatory Framework

Set forth below is a summary of certain provisions of the general legal framework for the regulation of the activities of Telecom, Telecom Personal and Publicom. The principal features of this general regulatory framework have been created by:

- the Privatization Regulations, including the *Pliego de Bases y Condiciones* approved by Decree No. 62/90, as amended, or the List of Conditions;
- the Transfer Agreement;
- the License granted to Telecom;
- the Rate Agreement;
- Decrees Nos. 2347/90, 2346/90 and 2345/90, granting to Telecom, Telintar and Startel the license to provide the telecommunications services described below;
- Decree No. 1185/90, establishing the CNT, later replaced by the CNC, pursuant to Decrees No. 660/96, 1260/96 and 80/97;

Decrees Nos. 348/84 (establishing priorities for line installations), as amended by Decree Nos. 1747/85 and 1748/85 (establishing priorities in favor of persons financing the expansion of telephone services);

SC General Resolution No. 10059/99, establishing the Basic Telephony Service Client Regulation;

Decree No. 92/97, approving the changes to the General Tariff Structure, establishing the minute fraction as the new Calculation Unit, approving the National Numeration and Signalization Fundamental Plans and the following Regulations (each as described under Regulatory Framework Decree No. 92/97 below): Accounting and Financial Information and Costs Regulation, Basic Telephony Service Clients Regulation, Basic Telephony Quality Service Regulation, PCS Regulation, as amended by Decree No. 266/98, and Public and Residential Telephone Services for the Deaf;

Decree No. 264/98;

Decree No. 266/98 (as modified by Decree No. 764/00 as it relates to Argentine interconnection regulation);

SC General Resolution No. 1122/98, establishing the regulatory framework for licenses and public telephony plan;

SC General Resolution No. 2724/98 as amended, establishing the regulatory framework for the long-distance presubscription service;

Law No. 25,000 which adopts the norms of the World Trade Organization with regards to telecommunications in individual countries;

Decree No. 465/00, establishing the deregulation of the telecommunications market commencing November 9, 2000;

Decree No. 764/00, establishing the regulatory framework for licenses, interconnection, universal service and radio-spectrum management, and

Ministry of Economy General Resolution No. 75/03, establishing the regulatory framework that allows callers to select their long distance provider for each call;

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This summary does not purport to be complete and is qualified by reference to the License, the List of Conditions, the Transfer Agreement and applicable provisions of Argentine law.

Regulatory Bodies

The activities of Telecom and Telecom Personal are supervised and controlled by the CNC, a governmental agency under the supervision of the SC (which is presently supervised by the Ministry of Federal Planning, Public Investments & Services). The CNC is in charge of general oversight and supervision of telecommunications services. The SC has the power to develop, suggest and implement policies which are applicable to telecommunications services, to ensure that these policies are applied, to review the applicable legal regulatory framework, to act as the enforcing authority with respect to the laws governing the relevant activities, to approve major technical plans and to resolve administrative appeals filed against CNC resolutions.

Law No. 25,609

On June 12, 2002, the Argentine Congress passed Law No. 25,609 which, as of the date of this solicitation statement, has not been published in the Official Gazette. Law No. 25,609 provides that Argentine telephone operators such as Telecom must provide indispensable telephony services to the following entities (the Beneficiaries):

- public hospitals and welfare institutions;
- public education facilities; and
- Argentine armed forces.

Law No. 25,609 has not defined the scope of indispensable telephony services. Pursuant to the terms of this law, Telecom must continue to provide telephony services even if the Beneficiaries do not pay for these services. Subject to the implementation of this law and subsequent regulations that may be enacted thereunder, Telecom may or may not be able to set-off any amounts due by the Beneficiaries against any amounts owed by Telecom to the Argentine government.

The executive branch vetoed Law No. 25,609 and instead passed Decree No. 1174/02 on July 4, 2002. However, Law No. 25,609 may still become effective upon a 2/3 majority vote of the National Congress. Decree No. 1174/02, unlike Law No. 25,609, does not require Argentine telephone operators such as Telecom to provide the above mentioned indispensable telephony services but does require a party wishing to suspend the provision of those services to provide 30 working days notice of the suspension to the affected entity and the Ministers or Secretaries of the executive branch.

Decree No. 764/00

On September 5, 2000, the Argentine executive branch issued Decree No. 764/00 which enacted four new regulations:

- the regulation of licenses for telecommunications services;
- the Argentine interconnection regulation;
- the universal service regulation; and
- the regulation governing the administration, management and control of the wireless spectrum.

The basic guidelines for these regulations are as follows:

General Regulation of Licenses. This regulation establishes a single nationwide license for the provision of all telecommunication services to the public, including fixed-line, wireless, national and international, irrespective of whether these services are provided through telecommunications infrastructure owned by the service provider. Under the regulation, a licensee s corporate purpose does not need to be exclusively the provision of telecommunications services. In addition, the regulation does not establish any minimum investment or coverage requirements. Broadcasting services companies may also apply for a license to provide telecommunications services; *provided*, for certain activities (such as Internet services), that the company is owned at least 70% by Argentine companies or individuals. The regulation further authorizes the resale of telecommunications services subject to the receipt of a license, and there are no restrictions on participation by foreign companies. This regulation governs the license through which Telecom offers services in the Southern Region.

Argentine Interconnection Regulation. This regulation provides for a reduction of approximately 50% in the reference prices for interconnection. The regulation increases the number of functions that the dominant operator must provide, including the obligation to provide interconnection at the local exchange level, to provide billing services and to unbundle the local loop. This regulation also introduces interconnection for number translation services (NTS) such as Internet, audiotext, collect calling and the implementation of number portability, all of which shall be subject to future regulations.

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Universal Service Regulation. The universal service regulation requires entities that receive revenues from telecommunications services to contribute 1% of these revenues to the universal service fund. The regulation establishes a formula for calculating the subsidy for the provision of universal service which takes into account the cost of providing this service and any foregone revenues. Additionally, the regulation creates a committee responsible for the administration of the universal service fund and the development of specific universal service programs. The regulation adopts a pay or play mechanism for compliance with the mandatory contribution to the universal service fund, although it establishes a mechanism for exemption from contribution for basic telephony service licensees, which combines loss of revenues and market share. However, material regulations to implement universal service programs are still pending.

During 2002, the SC conducted consultations regarding the administration of the universal service fund and the regulation requiring contribution to the universal service fund. Telecom has expressed the view that it should be compensated, retroactively from the end of the exclusivity period, for the social benefits programs that it is currently providing. However, to date Telecom has not received any compensation for its provision of these services. Telecom may be required to make contributions to the universal service fund and without receiving any compensation for the universal service it has been rendering to date.

The SC has also set up a working group whose main purpose is to analyze the method to be applied in measuring the costs of the universal service programs. In May 2003 this working group determined that the application of the previously proposed measurement method was too complex but recommended moving forward with the implementation of the initial programs of the universal service fund.

Regulation Governing the Administration, Management and Control of the Wireless Spectrum. This regulation establishes the principles and requirements governing the administration, management and control of the wireless spectrum. According to the regulation, the authorizations or permissions will be granted subject to SC s right to substitute, modify or cancel them without any right to indemnification on the part of grantee. The new authorizations that are granted will have a minimum duration of 5 years. The authorizations or permissions for use of frequencies may not be transferred, leased or assigned, in whole or in part, without the prior authorization of the SC.

Reconsideration Request. During year 2000, Telecom filed an administrative appeal for the revocation of certain provisions of the regulations attached to Decree No. 764/00. The administrative appeal argues that:

- the contested regulations contain inequities that violate the provisions adopted in connection with the privatization of the basic telephony service;
- broadcasting companies may render telecommunications services through one entity while Telecom is unable to do so; and
- the reduction of interconnection rates does not compensate for the access deficit which itself is not compensated by Universal Service.

Deregulation Plan Established by Decree No. 264/98

General. In March 1998, the Argentine government issued Decree No. 264/98, introducing a plan for the liberalization of the Argentine telecommunications industry, or the Plan. Decree No. 264/98 provided for the extension of the period of exclusivity with respect to the provision of basic telephony and international long-distance services until some time between October 8, 1999 and November 8, 1999, depending on the particular region. The Plan also provided for: (i) the immediate liberalization of public telephone services and (ii) during July 1998, the liberalization of telephone service in rural areas. In addition, the Plan contemplated that in January 1999, data transmission services within the countries included in Mercosur would be open to competition, subject to the following conditions: (i) each of the Mercosur countries enters into agreements providing for the liberalization of these services and establishing similar regulatory bodies and (ii) reciprocity exists between countries with respect to the granting of licenses, which is still pending. Finally, the full liberalization of local, domestic and international long-distance services took place in November 2000. See Regulatory Framework Decree No. 764/00.

Beginning in late 1999, two new operators, formed by independent operators, cellular operators and cable television operators, were permitted to offer services. These new operators, together with the existing licensees of basic telephony service, allowed customers to choose from four operators until the full liberalization of services occurred. The Plan also granted data transmission operators existing prior to the privatization of ENTel the right to operate domestic and international long-distance services by the end of 2000. See Competition.

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The Plan focused on three central principles:

providing universal telephone service to all segments of the Argentine population;

establishing limitations on anti-competitive activities; and

creating fair and transparent guidelines for granting future licenses.

New regulatory obligations were also introduced with respect to quality and service targets applicable to both Telecom and Telefónica. For example, all localities with more than 80 inhabitants had to be incorporated into the network by means of the installation of semi-public long-distance services and all localities with more than 500 inhabitants had to be incorporated into the residential network by means of fixed-line or wireless services. During 1998 and 1999, 640,000 new lines had to be installed, of which 15% of these new lines were required to be installed for customers in suburban areas. During this period, 19,000 new public telephones had to be added to the existing network (50% of which are to be coin-operated telephones), and 2,000 telephones were required to be installed in low income areas. The division of these obligations among Telecom and Telefónica was specified by the regulations. For low-income customers, a plan must be introduced with a promotional installation fee of less than US$100. Finally, requirements for improved communications for the Antarctic area are also contemplated.

The annual 4% price cap formula was in effect through 1999. The efficiency factor for the application of the price cap formula was set at 5.5% by the Regulatory Body. This factor was increased for 2000 to 6.75%, which represents 6% as established by the Regulatory Body and 0.75% as established by Telecom. See Rates Rates Agreement with Argentine government to Reduce Rates.

As long-distance services are liberalized, competition was introduced by presubscription of long-distance service for locations with more than 5,000 clients. Following the introduction of presubscription of long-distance service, a call-by-call selection service will be installed. These requirements obligate the telephone companies to make significant investments and modifications to their networks. See Presubscription of Long-distance Service.

During 1999, competition in local and national and international long-distance services was established among Telecom and Telefónica and CTP and Compañía de Telecomunicaciones Integrales S.A., the two new national operators permitted to offer services by Decree No. 264/98. Some provisions of Decree No. 264/98 and related resolutions were modified by Decree No. 764/00, mainly provisions related to licensing conditions, interconnection and universal service. Decree No. 764/00 established the general regulation of licenses and provided that each licensed company was allowed to launch its services in November 2000 when the full liberalization of the telecommunications market began. As of the date of this solicitation statement, the main licensees providing local and/or fixed long-distance telephone service are Techtel, Impsat, AT&T Argentina, CTI, Movicom Bell South, MetroRed, IPlan, Comsat, MCI, Embratel, Telefónica (in the Northern Region) and Telecom (in the Southern Region).

Public Telephone Services. Pursuant to the Plan, the liberalization of public telephone services began. As of December 31, 2003, Telecom competes with a number of other companies for the provision of public telephone services. On December 9, 1998, Telecom entered into an agreement with the Argentine government whereby Telecom was granted (upon the subsequent issuance of SC General Resolution No. 2627/98) a license to provide public telephone services in the Southern Region. According to the terms of the agreement, Telecom was required to install at least 2,500 public phones in the Southern Region within a three year period.

As of December 31, 2003, Telecom has installed 8,490 public telephones in the Southern Region. Telecom has installed public telephony telecommunication centers, or CETs, providing access to public telephony services, Internet and fax services in the Southern Region in major cities including Buenos Aires, La Plata, Mar del Plata, Mendoza, San Luis, Villa Mercedes, Tandil, San Juan, Ushuaia and Junín.

New Rate Structure

On January 31, 1997, the Argentine government issued Decree No. 92/97, whereby a new tariff structure was established. Decree No. 92/97 implemented changes in certain regulatory issues that Telecom believes are essential to face a competitive environment. For example, Decree No. 92/97 ratified the new National Numbering Plan, which increases the length of telephone numbers to 10 digits, re-assigns numbers for special services such as police and hospitals and establishes the rules for future implementation of number portability. Decree No. 92/97 also ratified the Signalization Plan, which regulates certain aspects of call routing. Decree No. 92/97 further included a Service Quality Regulation, which defines the technical standards enforceable upon Telecom by the Regulatory Bodies in connection with compliance with the goals of the List of Conditions and the Clients General Regulation, as

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amended, which regulates the relationships between Telecom and its clients. Additionally, Decree No. 92/97, as amended, established a regulation and list of conditions for the granting of licenses to provide PCS services. See The Business Wireless Telecommunications Services Miniphone. Finally, it provides that Telecom may provide equipment and maintenance services to clients in a competitive environment.

As established by Decree No. 92/97, the calculation of per time units now uses minute as the calculation unit.

Service Requirements

Pursuant to the List of Conditions, Telecom is required to ensure continuity, availability and uniformity in rendering our services. We must provide, among other services, free emergency telephone services, free telephone directories to all subscribers and information services related to Telecom.

The List of Conditions also set forth certain mandatory objectives that Telecom must achieve and maintain. These included requirements as to network penetration (telephone lines and public telephones to be added, waiting time for installation), network performance (percentage of completed calls, repair time, frequency of failure) and service (operator efficiency, maintenance and information).

National Numbering Plan

During 1998, Telecom completed the technical changes to the public network necessary for the introduction of the change of numbering plan for basic telephony service that took effect on January 24, 1999 as ordered by the regulatory authority. Under the plan, the length of Telephone numbers increased to 10 digits. Substantial improvements were made in adapting the information applications and in the preparation for the date on which the change took effect. All these steps were coordinated with the major telecommunications competitors in the local market in order to provide for the interconnection of the different networks. The numbering plan provided additional capacity for the system and is part of several steps that the Argentine government has taken to prepare the telecommunications industry for competition.

Presubscription of Long-distance Service

According to the terms of SC General Resolution No. 2724/98, the SC approved the General Regulation of Presubscription of Long-distance Service. Among other things, this regulation provides that effective October 10, 1999, presubscription of long-distance service, whereby the customer may choose its long-distance carrier, must be available in all cities outside the Buenos Aires Metropolitan Area, or AMBA, with more than 5,000 customers. This service has been available in the AMBA since November 7, 1999.

As of October 10, 1999, for cities outside AMBA with more than 5,000 customers, and November 7, 1999, for the AMBA region, Telecom has started to transport long-distance traffic in the Southern Region through our fiber optic network. This network connects our network in the Northern Region with the main cities in the southern service area; it is complemented by the leasing of circuits to other operators, in order to offer long-distance services in approximately 50 local areas in the southern service area.

Regulation for the Call by Call Selection of the Providers of Long Distance Services

On December 28, 2001, the former Ministry of Infrastructure and Housing issued General Resolution No. 613/01 which approved a system that allows callers to select their preferred long distance provider for each call. This call by call selection system is referred to as SPM.

Subsequently, as a result of the claims submitted by several carriers objecting to General Resolution No. 613/01, the Ministry of Economy issued General Resolution No. 75/03, which introduced several changes to the regulations providing for SPM. The main changes relate to the following: long distance carriers freedom to provide SPM, changes in blockage modality due to delinquency, changes in the service connection modality and greater flexibility of obligations connected with service promotion and advertising. General Resolution No. 75/03 also provides that origin providers, both fixed and mobile, must have their equipment and networks available to provide the SPM service within 120 days of February 6, 2003. Our equipment and networks have been able to provide this service since 2002. As of the date of this solicitation statement, no long distance operator has requested interconnection in order to provide this service.

Penalties for Non-Compliance

The List of Conditions specified various penalties which may be applied by the Regulatory Bodies to Telecom. These penalties may include warnings, fines and revocation of the License.

Revocation of the License. The following events may result in revocation of the License:

- the interruption of all or a substantial portion of service;
- the serious non-performance of material obligations;
- the modification of corporate purpose or change of domicile to a jurisdiction outside Argentina;

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- the sale or transfer of the License to third parties without prior approval of the Regulatory Bodies;
- any sale, encumbrance or transfer of assets which has the effect of reducing services supplied without the prior approval of the Regulatory Bodies;
- the reduction of ownership of Nortel in the capital stock of Telecom to less than 51% without prior approval of the Regulatory Bodies;
- the reduction in ownership of Sofora in the capital stock with voting power of Nortel to less than 51% without prior approval of the Regulatory Bodies;
- the assignment or delegation of the Management Agreement by the Operator or the termination of this contract without the prior approval of the Regulatory Bodies; and
- the bankruptcy of Telecom.

If our License is revoked, Nortel must transfer its shares in Telecom to the Regulatory Bodies, in trust, for their subsequent sale through a public auction. Upon the sale of the shares to a new management group, the Regulatory Bodies may renew the License of Telecom under conditions they determine.

Regulations Applicable to International Telecommunications Services

Telecom holds a non-expiring license to provide international telecommunications services, including telephone, international data transmission, international telex and international direct connections, *provided* that it meets the applicable mandatory objectives discussed above. See Regulatory Framework Service Requirements. This license was exclusive through October 1999. As described below, Telecom previously provided these services through our former subsidiaries, Telintar and Telecom Internacional.

Prior to April 30, 1999, Telecom provided these services through Telintar, a former subsidiary jointly held by Telecom and Telefónica. The List of Conditions provided that access charges paid by Telintar were to be shared between Telecom and Telefónica in proportion to the traffic of Telintar originated by the customers of each shareholder, notwithstanding that Telecom and Telefónica each owned 50% of the shares of Telintar. The List of Conditions also required that the profits generated from these access charges be applied by Telecom and Telefónica in the first instance to the expansion and improvement of services provided by their respective networks according to the objectives set forth in the List of Conditions. Further, the List of Conditions provided that Telecom or Telefónica may each at any time propose to the Regulatory Bodies that Telintar be liquidated. During 1999, Telecom and Telefónica agreed to dissolve Telintar and to distribute the assets of Telintar in part to Telecom Internacional and in part to TLDA. Telecom Internacional was merged into Telecom in 1999. See Our Business International Long-Distance Service.

As of October 1999, two new operators were entitled to render international services. Additional operators became entitled to provide these services in November 2000 under the new license regulation. See Regulatory Framework Decree No. 764/00 General Regulation of Licenses.

Regulations Applicable to Mobile Telephone Services

Calling Party Pays CPP. As of April 15, 1997, pursuant to Decree No. 92/97 and SC General Resolution Nos. 263/97 and 344/97, mobile telephone services apply the calling party pays, or CPP, system, whereby the party placing a call from a land-line phone to a cellular phone, rather than the cellular subscriber, pays for the air time charges for the call. Despite the introduction of the CPP system to calls made from fixed-line phones to cellular phones, the regulatory authorities did not implement the CPP system for calls made between cellular phones.

The application of CPP for calls made between cellular phones was successively postponed until Resolution MIV No. 1/01 ultimately introduced the CPP system to the calls made between cellular phones and calling cards. Subsequently, SC General Resolution No. 122/01 suspended the CPP system for calls made between cellular phones until further approvals from the SC were granted. Telecom Personal filed an administrative appeal against SC General Resolution No. 122/01.

The SC subsequently issued General Resolution No. 253/01 which abolished General Resolution No. 122/01 and established that the CPP system to calls made between cellular phones would be implemented as of September 1, 2001. Afterwards, a precautionary measure was issued under the case Defensoría del Pueblo de la Ciudad de Buenos Aires e/Estado Nacional Secretaría de Comunicaciones s/Sumarísimo where Telecom Personal was notified that the effects of the General Resolution No. 253/01 were suspended. Telecom Personal has appealed this decision, but as of the filing date of this solicitation statement, the effects of the SC General Resolution No. 253 continued to be suspended. Since March 2002, Telecom has been applying CPP to the calls made using our calling card Telecom Global.

In March 2002, Telecom Personal started entering into agreements with telephone operators, to charge CPP for calls made by calling cards.

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In accordance with SC General Resolution No. 124/02, in January 2003, mobile operators can charge the CPP for international calls began whereby overseas calls that terminate in cellular telephones in Argentina pay for CPP charges. In order to identify these calls, customers dialing from outside must add a prefix 54 + 9 + area code to the cellular number without the 15 .

PCS. Telecom Personal has licenses for PCS in all areas in Argentina. For these services, in June 1999, Telecom Personal and Telefonica Communicaciones Personales Unifón , were jointly awarded 40 Mhz in the PCS Band for the Area II- AMBA . Miniphone (a company that was subsequently divided into two companies, one of which was merged into Unifón and the other into Telecom Personal) and Compania de Radiocomunicaciones Moviles, or Movicom, exercised their respective rights to acquire 20 Mhz.

Telecom Personal and Unifon have since divided the jointly awarded 40 Mhz above mentioned, and the additional 20 Mhz granted to Miniphone.

Telecom Personal was granted another 40 Mhz in the PCS Band in each of the interior areas (Area I, or North Area, and Area III, the South Area), where it has licenses for PCS.

Regulations Applicable to PCS Services

Buenos Aires Area. In June 1999, Telecom Personal and Unifón were jointly awarded a license of 40 MHZ in the PCS Band for the region including the AMBA. Miniphone and Movicom each exercised the right to acquire a license of 20 MHZ in the PCS Band. Telecom Personal and Unifón have divided the 40 MHZ license awarded to the two companies and the additional 20 MHZ license granted to Miniphone.

Interior Region. Telecom Personal holds licenses of 40 MHZ in the PCS Band in the Southern Region. Telecom Personal also holds a license of 20 MHZ in the PCS Band in the Northern Region.

2003 Telecommunications Fund

In August 2003, the Department of Communications notified us of a proposal for the creation of a P$70 million financial trust, the *Complejo Industrial de las Telecomunicaciones 2003* or 2003 Telecommunications Fund, to be funded by the major telecommunication companies. Banco de Inversion y Comercio Exterior, or BICE, was designated as trustee of the 2003 Telecommunications Fund. The fund will be used to develop the telecommunications sector in Argentina and its responsibilities will include:

the creation of alternative mechanisms for financing;

the completion of projects provided they are long-standing, profitable and relate to the telecommunications system;

- the development and consolidation of the telecommunications sector; and

- serving as the nexus between the major telecommunication companies and small and medium-sized companies and individual entrepreneurs within the sector serving the public interest.

We have contributed P$1.5 million at the inception of the 2003 Telecommunications Fund and up to P$3.5 million on the first anniversary of the fund provided we successfully complete our financial restructuring. In addition, our management has announced that it is our intention to promote agreements with local suppliers for an estimated amount of P$10 million, which would facilitate their access to financing which we expect will enable suppliers to provide more products to the Argentine telecommunications sector.

Property, Plant and Equipment

The principal physical properties of Telecom consist of transmission equipment, exchange equipment and switching equipment. These properties are mainly located throughout the Northern Region. Outside plant and equipment represented approximately 73% and 74% of the net book value of our total fixed assets at December 31, 2003 and December 31, 2002, respectively; construction in progress and materials represented approximately 2% and 2%, respectively, land and buildings represented approximately 14% and 12%, respectively, and furniture, vehicles and office equipment represented approximately 11% and 12%, respectively. We believe that these assets are, and for the foreseeable future will be, adequate and suitable for their respective uses.

As of December 31, 2003, Telecom had 3,800,085 lines installed, all of which were connected to digital exchanges. As of December 31, 2002 and December 31, 2001, Telecom had 3,802,464 and 3,800,058 lines installed, respectively, all of which were connected to digital exchanges. As of December 31, 2003, the total number of customer lines was 3,361,341. As of December 31, 2002 and 2001, the total number of customer lines were 3,293,952 and 3,583,622, respectively.

As of December 31, 2003, Telecom has entered into purchase commitments totaling P$74 million primarily for switching equipment, the repair and/or maintenance of public telephones, infrastructure works and other services. In general, the contracts were financed, directly or indirectly, by domestic and foreign vendors or other financing sources.

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In order to consider the rapid evolution of the telecommunications industry, Telecom undertook a review of all of the remaining useful lives of our fixed assets as of December 31, 2000. As a result of this review, including advice provided by an independent specialist, Telecom confirmed the appropriateness of the useful lives of its fixed assets except for the remaining lives of the copper external wiring and related infrastructure, which Telecom determined should be extended as a result of the introduction of ADSL technology. Consequently, Telecom decided to extend the remaining useful life assigned to these assets by 5 years from January 1, 2001.

Our current major suppliers of equipment are Siemens Argentina S.A., Italtel S.p.A., Alcatel Techint S.A., IBM Argentina S.A. and Ericsson S.A.C.I. See Major Shareholders and Related Party Transactions.

Capital Expenditures

Capital expenditures amounted to P$182 million in the year ended December 31, 2003, P$238 million in the year ended December 31, 2002 and P$1,034 million in the year ended December 31, 2001. Telecom estimates that capital expenditures for year 2004 will be approximately P$395 million. This estimate is set annually and is based on commercial, technical and economic factors such as rates, demand and availability of equipment and buildings. In addition, cost estimates remain subject to the finalization of services and other contracts relating to these expenditures. As a result of the recovery of demand for services, Telecom expects that it will need to increase its capital and marketing expenditures in order to maintain the quality of its service and its competitive position.

The following table sets forth our actual capital expenditures for the years ended December 31, 2003, 2002 and 2001.

	Year ended December 31,		
	2001	2002	2003
	(P$ millions)(1)(2)		
Buildings and equipment	22	5	11
Switching and transmission	257	94	40
Outside plant	193	28	25
Telephone equipment and other	48	24	5
Computer equipment	255	63	24
Other	259	24	77
Total	1,034	238	182

(1) The allocation of work in progress among items is estimated.
(2) Figures reflect the adoption of inflation accounting. See Presentation of Financial Information.

Telecom estimates that its unconsolidated capital expenditures will be approximately US$52 million for 2004 and US$109 million in 2005. The principal expenditures budgeted include costs of expanding basic lines and ADSL high speed network and connections, upgrading and enhancing information technology systems, complying with regulatory infrastructure requirements and upgrading obsolete technologies, such as transmission equipment, re-employing fiber optic network, replacing certain external plant and power sources and upgrading existing hardware. Telecom Personal estimates that its unconsolidated capital expenditures will be approximately US$62 million for 2004 and US$82 million in 2005 in connection with migrating from TDMA to GSM technology, improving its network, information technology systems and software, services and infrastructure.

Capital expenditures outside of Argentina are not significant and are related to assets held by Núcleo, in Paraguay, and investment in certain submarine cables in which Telintar participated. Capital expenditures outside of Argentina were approximately P$17 million for 2003, P$28 million for 2002 and P$35 million for 2001.

Telecom seeks to continue to improve the quality of our telecommunications network and to position ourselves for increasing competition by offering new services at competitive prices, satisfying demand in our service area, increasing telephone line density, taking advantage of leading technologies, improving service quality and improving productivity. In order to meet this strategy, Telecom intends to maintain its fixed line networks and expand its ADSL high speed network and connections, while Telecom Personal expects to focus on its wireless network transition from TDMA to GSM technology in order to meet the anticipated future demand for cellular services.

Due to the current macroeconomic situation and our related lack of access to bank financing and the capital markets, Telecom expects to finance these expenditures through operating cash flow. Our ability to fund required and other planned capital expenditures is dependent on, among other things, our ability to generate sufficient funds internally. In addition, the terms of the notes will limit capital expenditures by Telecom and Telecom Personal.

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In light of the current economic situation and our default on our outstanding financial indebtedness, it is possible that we may be unable to raise or generate sufficient funds for all of our planned capital expenditures.

For further information regarding our capital expenditure program, see Regulatory Framework Service Requirements.

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THE APE SOLICITATION

The following is a description of the material provisions of this APE solicitation. For a more complete understanding of this APE solicitation, the APE and the notes, we urge you to read carefully the APE attached as Exhibit 4.1 to the registration statement that contains this solicitation statement, and the form of indenture for the notes, all of which will be available for inspection at our principal offices and those of the information agent and Luxembourg agent during normal business hours beginning on , 2004.

Terms of the APE Solicitation

Overview

Subject to the terms and the conditions described in this solicitation statement, any supplement hereto, and the accompanying letter of transmittal, we are soliciting powers of attorney in favor of the settlement agent (a) to execute the APE on your behalf and (b) to attend and vote at any meeting of holders of outstanding notes that might be required to confirm and give effect to the APE in order to reduce the total amount of our outstanding indebtedness to levels we estimate our operations can sustain. In the case of holders of our outstanding loans, we are alternatively soliciting commitments to sign the APE directly.

In order to grant a power of attorney or commit to sign the APE directly, you must submit a duly executed letter of transmittal.

Upon the consummation of the APE, we expect to have replaced all of our outstanding unconsolidated debt with up to the equivalent of US$2,701 million in consideration in the form of notes and cash consideration based on the final outcome of the elections under the three options. 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 in the same currency as the notes issued to the holder and to holders of our outstanding debt who elect Option C an Option C cash interest payment in the currency of the underlying debt or, at the election of the holder, in U.S. dollars. We will pay these cash interest payments to pay a portion of the accrued but unpaid interest on our outstanding debt that has accrued from January 1, 2004 to the issuance date.

The aggregate principal face amount of our unconsolidated outstanding debt (excluding accrued but unpaid interest, penalties and post-default interest rate increases) as of December 31, 2003 was the equivalent of US$2,553 million.

Our unconsolidated outstanding debt is comprised of medium term notes and loans with an aggregate principal amount of the equivalent of US$2,801 million outstanding as of December 31, 2003, including accrued but unpaid interest, penalties and post-default interest rate increases. As of March 31, 2004, our unconsolidated outstanding debt amounted to the equivalent of US$2,816 including accured but unpaid interest, penalties and post default interest rate increases.

Capitalized Interest

We will make a payment of accrued but unpaid interest on our outstanding debt (whether or not the holder of such debt has participated in the APE) corresponding to the period from June 25, 2002 through December 31, 2003, by increasing the principal face amount of outstanding debt to be restructured. The amount of accrued but unpaid interest to be capitalized has been determined pursuant to a formula and may be more or less than the amount of interest that would have accrued on your outstanding debt during this period under the terms of your outstanding debt. The amount of interest to be added to the principal face amount of your outstanding debt is the amount determined by multiplying the outstanding principal of each outstanding note or outstanding loan denominated in U.S. dollars, euro or Japanese yen (excluding accrued but unpaid interest, penalties and post-default interest rate increases) by the capitalized interest coefficient of 1.058. The capitalized interest coefficient represents a return equal to 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. With respect to our outstanding loans denominated in Argentine pesos, we determined the amount of capitalized interest based on the CER adjustment to the principal amount of each peso-denominated loan before applying the capitalized interest coefficient. The aggregate amount of capitalized interest with respect to our outstanding debt resulting from these calculations equals approximately the equivalent of US$148 million. We will add the equivalent of approximately US$148 million of aggregate capitalized interest to the aggregate principal amount of our outstanding debt of the equivalent of US$2,553 million as of December 31, 2003, in consideration for the total principal amount of outstanding debt of the equivalent of US$2,701 million to be restructured.

The actual amount of accrued but unpaid interest on the equivalent of US$2,553 million aggregate principal amount of our outstanding debt for the June 25, 2002 to December 31, 2003 period, including penalties and post-default interest rate increases, under the terms of our outstanding debt, amounts to the equivalent of approximately US$248 million.

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The capitalized interest calculation means that for each 1,000 principal face amount of outstanding debt denominated in U.S. dollars, euro or Japanese yen, a holder of the outstanding debt will have, for purposes of the APE, outstanding debt of 1,058 dollars, euro or Japanese yen, as applicable, to be restructured pursuant to the APE. For each P$1,000 principal face amount of outstanding loans denominated in Argentine pesos, a holder of peso-denominated loans will have outstanding debt of P$1,058 to be restructured that will be based on the CER on the issuance date. Therefore, the amount of capitalized interest for this period on an outstanding note or outstanding loan may be greater or lower than the actual accrued interest on that note or loan under the terms or applicable statutory rate of the outstanding note or outstanding loan.

Consideration

The consideration of up to the equivalent of US$2,701 million that we will pay to holders of our outstanding debt includes a combination of (1) up to the equivalent of US$2,701 million of our series A notes, (2) up to the equivalent of US$1,376 million of our series B notes and (3) cash consideration of up to US$663 million at a price to be determined pursuant to our Modified Dutch Auction to retire the equivalent of US$825 million aggregate principal face amount of outstanding debt and capitalized interest (calculated based on the exchange rates in effect as of the close of business on the expiration date). These transactions will be completed in accordance with the procedures contemplated in Chapter VII, Title II of the Argentine Bankruptcy Law.

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

Holders of our outstanding notes will receive 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 Series A notes, and in dollars, in the case of Series B notes. Holders of our outstanding loans and commissions will receive notes in the form of certificated notes which may be denominated in dollars, euro, pesos or yen, in the case of Series A notes and in dollars, in the case of Series B notes. Holders of our outstanding debt will receive Series A notes denominated in the same currency as the outstanding debt held by them or, at the election of the holder, in U.S. dollars and Series B notes denominated in U.S. dollars. See Description of the Notes Basic Terms of the Notes for a description of the terms of the notes, including a description of the interest rate. Holders of our outstanding notes will receive listed notes, and holders of our outstanding loans unlisted notes. We nonetheless reserve the right, but we are not obligated, to amend the APE 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, it will not trigger unfavorable tax treatment for us. We will publish a notice of any such amendment as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination. Interest on the notes will be paid in the currency in which the notes are denominated.

Holders of outstanding debt that receive cash consideration under Option C may elect to receive this cash in the same currency as the outstanding debt they hold or, at the election of the holder, in U.S. dollars. If you hold debt in a denomination other than U.S. dollars but elect to receive your cash consideration in U.S. dollars, we will use exchange rates in effect as of the close of business on the expiration date to determine the amount of cash consideration that we will pay to you on the issuance date. Participating holders of outstanding debt who fail to designate the currency in which they want their cash consideration to be denominated, and non-participating holders of outstanding debt, will be deemed to have elected to receive their cash consideration in the same currency as their outstanding debt.

The table below sets forth the consideration to be received per US$1,058, 1,058 or ¥1,058 principal face amount of outstanding debt (as a result of the capitalized interest calculation, for each 1,000 principal face amount of debt denominated in dollars, euro and Japanese yen, a holder will have outstanding debt of 1,058 for purposes of the APE) to be restructured, together with capitalized interest.

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

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	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.

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(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 capitalized interest allocated to Option C.

(4) Holders who elect Option B will receive US$1,000 principal amount of series B notes for each 1,000 principal face amount of outstanding debt in dollars, or the U.S. dollar equivalent of 1,000 principal face amount of outstanding debt denominated in euro, yen or pesos. Series B notes will only be denominated in U.S. dollars.

(5) Includes capitalized interest, calculated as described above under Capitalized Interest. .

For each P$1,058 principal face amount of outstanding loans denominated in Argentine pesos, a holder of peso-denominated loans will have outstanding debt that will be adjusted based on the CER on the issuance date. As set forth in the table above, with respect to each 1,058 of outstanding debt to be restructured, the consideration to be provided to holders of outstanding debt corresponds to 100% of 1,058 under Option A, approximately 94.5% of 1,058 under Option B and between approximately 70% to 80% of 1,058 under Option C. The consideration to be provided to holders who elect to receive Option B and who have 37.5% of their outstanding debt and capitalized interest allocated to Option C is approximately 89% of 1,058.

Minimum Required Participation in Option A

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 capitalized interest under Option A.

Level of Creditor Consent

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 representing (1) 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. This APE is also subject to the condition that the conditions to the debt restructuring being undertaken concurrently by our subsidiary Telecom Personal S.A., which we refer to as Telecom Personal, are satisfied or waived. See The APE Solicitation Telecom Personal Restructuring Proposal.

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). 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.

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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 not later than 30 days after obtaining the requisite majorities. As soon as practicable thereafter, we will file the APE with the reviewing court for its approval.

Option A/B Cash Interest Payment

If the APE is completed in the form we have proposed, on the issuance date, we will pay holders of outstanding debt who elect Option A and Option B, an Option A/B cash interest payment for the period from January 1, 2004 to the issuance date of the notes, accrued at a 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 will make the Option A/B cash interest payment in the same currency as the notes issued to the holder. Except for this Option A/B cash interest payment and as a result of the receipt of notes pursuant to the terms of this APE solicitation, representing, in part, the capitalized interest described above, holders will not be entitled to receive any accrued interest (including accrued but unpaid interest, penalties and post-default interest rate increases) on their outstanding debt in respect of any period ending on or before the issuance date. We expect the Option A/B cash interest payment will be up to approximately US$114 million, in the aggregate, assuming an issuance date of October 15, 2004.

Option C Cash Interest Payment

If the APE is completed in the form we have proposed, holders who elect Option C will receive, in addition to their cash consideration, an Option C cash interest payment covering the period from January 1, 2004 to the issuance date. This 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. We will pay the Option C cash interest payment on the issuance date to holders who elect Option C. Holders who receive cash consideration may elect to receive the Option C cash interest payment in the same currency as the outstanding debt they hold or, at the election of the holder, in U.S. dollars.

If the APE is completed in the form we have proposed, any amount of principal, interest, penalties or other amounts that remain unpaid pursuant to the contractual or applicable statutory terms of our outstanding debt will be extinguished as a matter of Argentine law as of the issuance date.

Calculation of Requisite Majorities

For purposes of calculating the requisite majorities required for receiving reviewing court approval of the APE, we intend to convert the outstanding principal amount of outstanding debt denominated in euro, Japanese yen and pesos into U.S. dollars at the exchange rates as described under Introduction Procedures for Approving the APE Calculation of U.S. Dollar Equivalents of Requisite Majorities, on a date which we expect to be approximately 60 days before the APE filing date. All calculations and determinations will be made by reference to the U.S. dollar-denominated principal amount resulting from those conversions, notwithstanding that the original currency of issue may strengthen or weaken against the U.S. dollar after that date.

Currency Denomination and Governing Law of the Notes

If you hold outstanding notes denominated in a currency other than U.S. dollars, and you elect to receive series A notes, your letter of transmittal will permit you to elect to receive listed notes in the same currency as your outstanding notes or in U.S. dollars. The series B notes will be denominated in U.S. dollars. The listed notes will be issued pursuant to an indenture governed by New York law.

If you hold outstanding loans or commissions, your letter of transmittal will permit you to elect to receive unlisted notes in the same currency as your outstanding loans or in U.S. dollars. The unlisted notes will be issued pursuant to an indenture governed by New York law.

Participating holders of outstanding notes who fail to designate the currency in which they want their listed notes to be denominated, and non-participating holders of outstanding notes, will be deemed to have elected to receive their listed Series A notes in the same currency as their outstanding debt. Participating holders of outstanding loans who fail to designate a currency, and non-participating holders of outstanding loans will be deemed to have elected to have their unlisted Series A notes denominated in the same currency as their outstanding loans.

Voting Outstanding Debt

Holders of outstanding debt must return to the settlement agent a duly executed letter of transmittal setting forth their elections for amounts to be received for their outstanding debt among Option A, Option B and Option C. At the

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time a holder sends a duly executed letter of transmittal to the settlement agent, holders of outstanding debt will be required to choose among the three consideration options for their outstanding debt with respect to the debt represented by the letter of transmittal. You may elect different choices of options for different portions of your debt by completing a separate letter of transmittal for each portion. We will allocate the proportionate amount of outstanding debt representing capitalized interest paid to you among the options you select.

Option A

If you hold non-peso denominated outstanding debt and you elect (or are deemed to elect) or all or a portion of your outstanding debt is allocated into Option A as a result of proration of Option B and/or Option C, you will have the right to receive, upon court approval of the APE, for each 1,058 principal amount of outstanding debt, including capitalized interest, submitted with your consent and allocated in Option A, 1,058 principal amount of series A notes. Consideration amounts for peso-denominated outstanding loans are set forth in the table above.

Option B

If you hold dollar denominated outstanding debt and you elect Option B, you will have the right to receive, upon court approval of the APE, US$1,000 principal amount of series B notes. If you hold euro- or yen- denominated outstanding debt, you will receive 94.5% of the dollar equivalent of principal and capitalized interest on your debt. Consideration amounts for peso-denominated outstanding loans are set forth in the table above.

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.

Option C

If you elect or all or a portion of your outstanding debt is allocated into Option C as a result of proration, you will have the right to receive, for each 1,058 principal amount of outstanding debt, including capitalized interest, submitted with your consent and accepted in Option C upon court approval of the APE, the cash consideration. This payment will be no more than 850 nor less than 740 per 1,058 principal amount of outstanding debt, together with capitalized interest, submitted, determined pursuant to a Modified Dutch Auction process. Consideration amounts for peso-denominated outstanding loans are set forth in the table above.

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 outstanding debt allocated to Option C. If Option C is undersubscribed, holders who select Option B 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, 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).

Non-Participating Holders

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, non-participating holders will have their outstanding debt allocated into 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. 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 Announcements of Extension, Amendment or Termination.

Modified Dutch Auction

If you elect Option C, you will be able to select a price, within the range of 740 to 850 per 1,058 principal amount, including capitalized interest, at which you would be willing to retire your outstanding debt under this option. If you elect Option C and have not selected a price, your default price will be 740, the lowest end of the range. Any holder who elects to receive Option B whose debt is allocated into Option C will be deemed to have submitted their debt at 850, the highest end of the range. Based on the prices selected (or deemed to be selected) by holders electing Option C, we will determine the lowest single purchase price that will allow us to purchase an aggregate of the equivalent of up to US$825 million principal face amount of outstanding debt and capitalized interest (calculated using the exchange rates in effect as of the close of business on the expiration date) for up to US$663 million or that will allow us to purchase all of the outstanding debt submitted if the debt submitted and price specified by holders would be equal to or less than US$825 million.

All outstanding debt retired under Option C will be purchased at the same purchase price regardless of whether a holder selected a lower price. 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. 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. If Option C is undersubscribed, holders will receive the purchase price. Because any debt allocated from Option B into Option C will be deemed submitted at the highest price, in the event that Option C is undersubscribed the purchase price is likely to be the highest price in the modified dutch auction price range.

Modified Dutch Auction Steps

Step 1: Receive Bids and Sort by Price

We will receive all of the bids from participating holders who elect Option C. For any holders who elect Option C and do not submit a bid price, the default price that we will use for your bid for the Modified Dutch Auction is the lowest price, 740. We will then sort the bids by price.

We assume in our example set forth in the table below that we received eight bids from holders of our outstanding debt with prices ranging from 740 to 850. We also assume that one bid was received by us without a price selection and therefore we will use the default price of 740.

Sort Bids by Price

Bid	Bid 1	Bid 2[1]	Bid 3	Bid 4	Bid 5	Bid 6	Bid 7	Bid 8
Bid Price	740.0	740.0	770.0	780.0	790.0	810.0	810.0	850.0
Debt Submitted[2][3]	120.0	100.0	120.0	140.0	220.0	100.0	125.0	75.0
Cumulative Debt Submitted[3]	**120.0**	**220.0**	**340.0**	**480.0**	**700.0**	**800.0**	**925.0**	**1000.0**

(1) Default price of 740 applies since no price was indicated in bid.
(2) The debt submitted represents the outstanding principal amount plus capitalized amount.
(3) All debt amounts are in US$ millions.

If Option C is undersubscribed, we will also include bids up to 37.5% of the outstanding debt plus capitalized interest of holders who elect to receive Option B as part of the Modified Dutch Auction. Any holder who elects to receive Option B and is allocated into Option C will be deemed to have submitted their debt at 850, the highest price, in which case the purchase price will be 850 and all bids will be satisfied in full.

Step 2: Determine the Purchase Price

After we sort the bids by price, we will determine the lowest purchase price that will allow us to restructure an aggregate of the equivalent of up to US$825 million principal face amount of outstanding debt and capitalized interest based on the bids we have received.

In our example, we will be able to retire an aggregate of the equivalent of up to US$825 million principal face amount of outstanding debt and capitalized interest at a purchase price of 810. As demonstrated in the row Cumulative Debt Submitted, we will be able to restructure US$700 million by retiring the debt submitted in bids 1 through 5. The equivalent of up to US$125 million outstanding debt and capitalized interest can then be retired by prorating (as described below in Step 4: Proration of Bids Submitted at the Purchase Price) part of bids 6 and 7, both of which were submitted at a purchase price of 810.0.

Step 3: Identify Bids That Will Be Satisfied in Full

After we have determined the lowest purchase price, we will retire outstanding debt submitted at or below the purchase price as follows:

- all of the outstanding debt submitted at a price below the purchase price will be retired; and

- outstanding debt submitted at the purchase price will be subject to proration.

Outstanding debt submitted at a price above the purchase price will not be retired, and that debt will be allocated into Option B, until the limit for Option B is met, and then into Option A if Option B is oversubscribed.

In our Modified Dutch Auction example, bids 1 through 5, which were submitted at prices below the purchase price of 810, will be retired in full. Bids 6 and 7, which were submitted at the purchase price of 810, will be retired subject to proration as described below in Step 4. The debt submitted pursuant to Bid 8 will not be retired under Option C.

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Step 4: Proration of Bids Submitted at the Purchase Price

After we determine the amount of outstanding debt that we will retire in full from the bids submitted at prices below the purchase price, we will then determine how much debt we can retire from the bids submitted at the purchase price and prorate the remaining amount among the bids submitted at the purchase price.

In our example, the equivalent of US$125 million will be available to be retired after we subtract the equivalent of US$700 million, the amount of outstanding debt that will be retired in full from the bids submitted at prices below the purchase price, from US$825 million, the total amount of debt to be retired. We will then prorate the remaining US$125 million to be retired between the outstanding debt submitted at the purchase price, bids 6 and 7.

Determine Proration Amounts	
Total Debt to be Retired	825.0
Less: Debt Offered Below Purchase Price	700.0
Debt Left to be Retired	**125.0**

Bid Offered at Purchase Price	**Debt Submitted(1)**	**Proration Factor(2)**	**Debt to be Retired**
Bid 6	100.0	44.4%	55.6
Bid 7	125.0	55.6%	69.4
Total	**225.0**		**125.0**

(1) The debt submitted represents the outstanding principal amount plus capitalized amount.
(2) Represents ratio of total debt to be retired to total debt submitted and subject to proration.

Step 5: Determine Cash to be Paid, Retire Debt and Pay Holders the Purchase Price

Once we have determined the amount of outstanding debt to be retired from among the submitted bids, we will determine the amount of cash that we will need to restructure the debt to be retired at the purchase price. On the issuance date, we will pay the cash consideration at the purchase price and retire the outstanding debt that we have restructured.

In our example, we will need to pay $632 million of cash to retire US$825.0 million of debt.

Determine Cash to be Paid

Bid	**Debt Submitted(1)**	**Debt Retired**	**Cash Paid**

Bid 1	120.0	120.0	91.9
Bid 2	100.0	100.0	76.6
Bid 3	120.0	120.0	91.9
Bid 4	140.0	140.0	107.2
Bid 5	220.0	220.0	168.4
Bid 6	100.0	55.6	42.5
Bid 7	125.0	69.4	53.2
Bid 8	75.0	0.0	0.0
Total	**1,000.0**	**825.0**	**631.6**

(1) The debt submitted represents the outstanding principal amount plus capitalized amount.

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 outstanding debt allocated to Option C. For example, if holders of $525 million of our outstanding debt elect to have their outstanding debt restructured under Option C, then US$300 million of the outstanding debt of holders who elected to receive Option B will be allocated to Option C. These holders whose debt is allocated into 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, as their bid with respect to the portion of their outstanding debt that has been allocated into Option C from Option B.

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In our proration example below,

- Participating holders elect to retire US$1,836 million of outstanding debt under Option B and US$430 million of outstanding debt under Option C.

- The limit for Option C is US$825.0 million. Consequently, Option C is undersubscribed by US$395 million.

- US$395 million of outstanding debt selected under Option B (representing 21.5% of the outstanding debt that selected Option B) is allocated into Option C.

- After this US$395 million allocation to Option C, Option B remains oversubscribed by US$65 million, requiring proration. As a result, US$65 million of outstanding debt under Option B is allocated to Option A.

Under this example, following the allocation of outstanding debt under Option B to Option C and the proration described below, participating holders who elected Option B will receive, for each US$1,058 of outstanding debt:

- US$37.5 of series A notes;

- US$749.5 of series B notes; and

- cash consideration of US$182.9.

See Proration.

Proration

The letters of transmittal will require that each holder specify that holder s option for their outstanding debt. Participation in Option B and Option C will be limited based on the principal face amount of our outstanding debt and capitalized interest that can be retired under each option. 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 capitalized interest may be retired under Option B; and

- up to US$825 million principal face amount of our outstanding debt and capitalized interest 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. 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 first allocate the remaining portion of your outstanding debt into Option B until we reach the limit for Option B. Once we have reached the limit for Option B, we will allocate the remaining portion of your outstanding debt into Option A.

As a result of proration, participating holders may not receive the consideration specified in their letter of transmittal. See Description of the APE Cramdown of Non-Participating Holders Upon Court Approval for a discussion of how non-participating holders will be treated.

Proration Steps

Step 1: Your Election

If you participate in the APE solicitation, you will be asked to designate the consideration you would like to receive pursuant to the APE. You may elect from any of the following options for each 1,058 principal amount of outstanding debt and related capitalized interest:

Option A: 1,058 principal amount of series A notes; or

Option B: 1,000 principal amount of series B notes (for outstanding debt denominated in dollars) or 94.5% of the dollar equivalent of the principal and capitalized interest on your debt for holders of outstanding debt denominated in euro, pesos or yen. Series B notes will only be denominated in U.S. dollars; or

Option C: cash consideration at a price not greater than 850 nor less than 740 per 1,058 principal face amount and related capitalized interest, to be determined pursuant to a Modified Dutch Auction.

If you do not participate or designate an option you will be allocated into Option A as described in Description of the APE Cramdown of Non-Participating Holders Upon Court Approval.

Set forth below under Proration Example is a table illustrating a hypothetical result of the APE solicitation. In our hypothetical example, we assume that a majority of our creditors representing 95% of our outstanding debt vote in favor of the APE with respect to US$2,566 million principal amount of outstanding debt and related capitalized interest. In this example, we assume that:

participating holders representing 11.7% of the outstanding debt held by participating holders (US$300 million of debt) elect Option A;

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- participating holders representing 71.6% of the outstanding debt held by participating holders (US$1,836 million of debt) elect Option B; and

- participating holders representing 16.8% of the outstanding debt held by participating holders (US$430 million of debt) elect Option C.

Step 2: Allocate Outstanding Debt under Option B to Undersubscribed Option C

If Option C is undersubscribed, holders electing Option B will have up to 37.5% of their outstanding debt allocated into Option C before any proration. In our proration example, Option C is undersubscribed by US$395 million, which represents 21.5% of the outstanding debt that selected Option B. US$395 million of outstanding debt and capitalized interest under Option B is allocated to Option C, as described above under Allocation of Outstanding Debt Under Option B to Option C.

Step 3: Allocation of Election

We will determine the principal amount of outstanding debt and related capitalized interest to allocate to each of Option A, Option B and Option C, based on your election in Step 1.

If the principal amount of outstanding debt and related capitalized interest does not exceed the option limit amount, you will receive your election (unless you elected Option B and Option C is undersubscribed. See Step 2: Allocate Outstanding Debt under Option B to Undersubscribed Option C.)

If the principal amount of outstanding debt and related capitalized interest does exceed the option limit amount, you will be subject to proration. See Step 4: Proration of Your Election.

The elections will determine the capacity remaining in each option for allocation. Capacity will be determined by subtracting the principal amount of outstanding debt and related capitalized interest allocated in the elections from the option limit amount.

In our proration example,

- Option A is unlimited. US$300 million principal amount of outstanding debt and related capitalized interest is allocated into Option A. All participating holders who selected Option A as their choice receive Option A.

- The limit for Option B is US$1,376.0 million. Of the US$1,836 million of outstanding debt electing Option B, US$395 million is allocated to Option C since Option C was undersubscribed by this amount, leaving Option B oversubscribed by US$65 million of outstanding debt to be restructured. As a result, participating holders who selected Option B will be subject to proration.

The limit for Option C is US$825.0 million. Holders of US$430 million principal amount of outstanding debt and related capitalized interest elect Option C, and an additional US$395 million of outstanding debt is allocated to Option C from Option B, so that we reach the Option C limit of US$825.0 million of outstanding debt to be restructured.

Step 4: Proration of Your Election

If you select Option B or Option C as your option, and the principal amount of outstanding debt and related capitalized interest elected under your option exceeds the option limit amount, you will receive your pro rata share of your election.

In our proration example, Option B is oversubscribed by US$65 million, or approximately 5%, after US$395 million is allocated into Option C. All participating holders who selected Option B will be subject to proration with respect to 5% (after the US$395 million allocation into Option C) of their outstanding debt and related capitalized interest submitted in the APE.

Step 5: Allocation of Holders Who Elected Option B and Option C

We will allocate the principal amount of outstanding debt and related capitalized interest in excess of your pro rata share 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 first allocate the remaining portion of your outstanding debt into Option B until we reach the limit for Option B. Once we have reached the limit for Option B, we will allocate the remaining portion of your outstanding debt into Option A.

In our proration example, Option B is oversubscribed by US$65 million and Option C is fully subscribed. US$65 million of outstanding debt and related capitalized interest to be retired will be allocated entirely into Option A.

Step 6: Allocation of Non-Participating Holders

If you did not participate in Step 1 or you did not designate an option in Step 1, you will be deemed to have

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elected to have the principal amount of your outstanding debt and related capitalized interest allocated into Option A. However, the reviewing court may require us to allocate and/or prorate the consideration to be provided to non-participating holders in a different manner, in which case both non-participating holders, participating holders and Telecom will be bound by the decision of the reviewing court.

In our proration example, US$135 million of outstanding debt of non-participating holders is allocated into Option A.

Proration Example

In our proration example, after prorating participating holders and allocating non-participating holders into Option A, the final allocations result in US$500.0 million of outstanding debt to be retired under Option A, in US$1,376.0 million of outstanding debt to be retired under Option B and US$825.0 million of outstanding debt to be retired under Option C. As a result, based on this proration example, 18.5% of our outstanding debt would be retired under Option A, 51% of our outstanding debt would be retired under Option B and 30.5% of our outstanding debt would be retired under Option C.

However, the final allocations remain subject to the approval of the reviewing court, which may require that holders receive notes and/or cash consideration in a manner different from the proration structure we have contemplated in our APE.

	Option A	**Option B**	**Option C**
		(in US$ Millions)	
Option Limit on Outstanding Debt to be Retired	2,701.0	1,376.0	825.0
Elections by Participating Holders	300	1,836	430
Allocation of Outstanding Debt Under Option B to undersubscribed Option C		(395)	395
Proration of Participating Holders	65	(65)	
Allocation of Participating Holders	**365**	**1,376.0**	**825.0**
Allocation of Non-Participating Holders into Option A	**135**	**0.0**	**0.0**
Final Allocation of Holders of Outstanding Debt	**500.0**	**1,376.0**	**825.0**
Final Percentage of Outstanding Debt to be Retired	*18.5%*	*51.0%*	*30.5%*

Issuance Date

We expect the issuance date to occur as soon as practicable, but not later than 90 days, after we receive the final reviewing court order approving the APE and all of the conditions to the APE are either satisfied or waived. On the issuance date we expect to issue the notes and pay the Option A/B cash interest payment to be paid pursuant to the APE to holders who receive Option A and Option B, and pay the Option C cash interest payment to be paid to holders who receive Option C. We will make an Option A/B cash interest payment under Option A and Option B in an amount equal to nominal interest accrued on the aggregate principal face amount of the series A notes and series B notes from January 1, 2004 through the issuance date, at a rate of 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 the series B notes. We will pay the Option A/B cash interest payment in the same currency as the notes issued to the holder. We will pay the Option C cash interest payment covering the period from January 1, 2004 to the issuance date in the same currency as the underlying debt or, at the election of the holder, in U.S. dollars. Upon the delivery, or the making available, of the notes to holders who elect Option A and Option B, cash consideration to holders who elect Option C and the cash interest payments in accordance with the terms set forth in the APE, the restructuring plan approved in the APE will be deemed to have been complied with fully and all obligations thereunder discharged fully. 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.

Extensions; Amendments; Termination

For purposes of this APE solicitation, the term expiration date means 3:00 p.m., New York City time, 4:00 p.m.,

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Buenos Aires time, on , 2004, subject to our right to extend that time and date in our sole discretion, subject to applicable law, in which case the expiration date will mean the latest time and date to which the expiration date is extended. During any extension, all the outstanding debt previously submitted, and the consents relating to that debt will remain subject to this APE solicitation and may be accepted pursuant to this APE solicitation by us, and all of the powers of attorney previously granted and all the commitments to sign the APE directly will remain valid. 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 Announcements of Extension, Amendment or Termination.

We expressly reserve the right, at any time or from time to time, in our sole discretion, subject to applicable law, to:

(a) delay the acceptance of any outstanding debt submitted in connection with this APE solicitation;

(b) extend the expiration date for this APE solicitation and retain all the outstanding debt that, at the time of the extension, has been submitted;

(c) terminate this APE solicitation as provided under the conditions to this APE solicitation and as permitted under applicable law;

(d) refuse to accept submitted outstanding debt and return any or all outstanding debt that has been submitted to us if certain formalities have not been met to our satisfaction;

(e) waive any condition to this APE solicitation, except as provided herein, and accept all outstanding debt previously submitted;

(f) amend this APE solicitation in respect of the outstanding debt, by giving oral notice, promptly confirmed in writing, or written notice of this amendment to the solicitation agent; or

(g) accept all properly submitted outstanding debt.

Any change in the consideration offered under any option to holders of outstanding debt pursuant to this APE solicitation will be paid to all holders whose outstanding debt is acquired pursuant to that option, including those who previously submitted their outstanding debt pursuant to this APE solicitation. There can be no assurance that we will exercise our right to extend, terminate or amend this APE solicitation. We do not intend to change the consideration currently offered. If we make a material change in the terms of this APE solicitation or the information concerning this APE solicitation or waive a material condition of this APE solicitation, we will disseminate additional materials relating to this APE solicitation and extend this APE solicitation accordingly. We will also publish a notice of any such extension, material change or waiver of a material condition as set forth in Announcements of Extension, Amendment or Termination. In addition, if we amend the terms and conditions of this APE solicitation in a manner that is, in the reasonable judgment of the parties to the APE, materially adverse to holders of our outstanding debt, these holders will have the right to revoke their consents as described below under Revocation. In addition, we may extend this APE solicitation for any other reason we deem to be appropriate.

We expressly reserve the right, in our reasonable discretion, to terminate or withdraw this APE solicitation if any of the conditions set forth below under Conditions to the APE Solicitation have not been satisfied or waived by us. If this APE solicitation is terminated, withdrawn or otherwise not completed, we will not consummate the APE and the consideration that you would have received upon court approval will not be paid or become payable to you, even if you have submitted validly your outstanding debt and/or delivered powers of attorney or if holders of outstanding loans, committed to sign the APE directly in connection with this APE solicitation. Any outstanding debt you have submitted that we have not accepted will be returned promptly to you at our expense.

Announcements of Extension, Amendment or Termination

We will announce promptly any extension, amendment or termination of this APE solicitation by publishing notices in compliance with the regulations of the CNV, CONSOB, or through such other means of announcement as we deem to be appropriate. It will, in all cases, be sufficient means of announcement to provide notice to the trustee for the outstanding notes, the settlement agent, Euroclear and Clearstream, Luxembourg, and the notice will be posted on our website and published in newspapers of general circulation in Luxembourg and Argentina, including the *Luxemburger Wort* and in the Official Bulletin of the Buenos Aires Stock Exchange.

Once Submitted, Outstanding Notes Cannot Be Transferred

Giving instructions to submit outstanding notes and grant an authorization will affect a beneficial owner s right to sell or transfer its outstanding notes. The submission of outstanding notes will be accomplished through the transfer of such outstanding notes to a blocked account of the settlement agent 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.

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Letter of Transmittal; Representations, Warranties and Covenants of Holders of Outstanding Debt

Upon the submission of the letter of transmittal as to any outstanding debt, a holder and the beneficial owner of the outstanding debt on behalf of which the holder has submitted, will be deemed, among other things, and, subject to and effective upon in the case of (a), (b) and (c) below, Telecom making available the consideration pursuant to the Options, to:

(a) irrevocably transfer to us or the settlement agent upon our order or the order of the settlement agent, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of the holder s status as a holder of, all outstanding debt submitted thereby, and thereafter it will have no contractual or other rights or claims in law or equity against us, the solicitation agents or any fiduciary, trustee, fiscal agent or other person connected with the outstanding debt arising under, from or in connection with the outstanding debt, except for the circumstances contemplated in the APE and except for return of the outstanding debt if the APE is terminated;

(b) waive any and all rights with respect to the outstanding debt submitted thereby, including, without limitation, any and all rights to payment, any existing, past or continuing defaults and their consequences in respect of the outstanding debt;

(c) release and discharge us, our directors, officers, members of the Supervisory Committee, shareholders, affiliates and any trustee or agent thereof from any and all claims the holder may have, now or in the future, arising out of or related to the outstanding debt submitted thereby, including, without limitation, any claims that the holder is entitled to receive additional principal or interest payments with respect to the outstanding debt submitted thereby, other than as expressly provided in this solicitation statement and the letter of transmittal, or to participate in any redemption or defeasance of the outstanding notes submitted thereby;

(d) in the case of holders of the outstanding notes and holders of outstanding loans that did not commit to sign the APE directly, grant a power of attorney to the settlement agent authorizing the settlement agent to (1) execute on the registered holder s behalf the APE and any ancillary documents that may be required to effect the transactions contemplated in connection therewith, (2) attend on its behalf any meeting of holders of outstanding notes that may be required to confirm its acceptance of the APE solicitation and the APE and/or to give effect to the APE, (3) agree to any ministerial or *de minimis* amendment of the APE that may be required to confirm the APE or to effect the transactions contemplated therein and (4) take any other actions as may be necessary to formalize the votes in such meetings and (5) assign any outstanding debt to us, if required; and

(e) grant to the settlement agent the power to confirm delivery of the notes, cash consideration and cash interest payments and to receive back any outstanding notes in accordance with the letter of transmittal and the APE.

In addition, the holder of outstanding debt will be deemed to acknowledge, represent, warrant and agree that:

(a) (1) all transactions undertaken by us and the settlement agent to effect the restructuring of our outstanding debt, including this APE solicitation, will have been effected in compliance with all applicable laws and in a manner consistent with the statutory rights of all holders of outstanding debt to be treated equally and ratably and (2) it hereby waives any rights that it may have pursuant to Argentine law or the governing laws of the outstanding debt submitted to bring an action to challenge the legality or validity of any payments made in the tender offer we completed in June 2003 or those made pursuant to this APE solicitation or to bring any action against any of Telecom s directors or officers in connection with these payments and agrees that that waiver will survive any termination of the APE solicitation or the APE;

(b) it has received and reviewed this solicitation statement;

(c) it is the owner of, or a duly authorized representative of one or more beneficial owners of, the outstanding debt submitted thereby and it has full power and authority to execute the letter of transmittal, and has full power and authority to execute the APE with respect to all the outstanding debt submitted and to tender, sell, assign and/or transfer the outstanding debt submitted thereby;

(d) the outstanding debt being submitted thereby was owned as of the date of the grant of the powers of attorney or of the commitment to sign the APE directly by holders of outstanding loans, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and acknowledges

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that we will acquire good, indefeasible and unencumbered title to the outstanding debt, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, if and when we accept the same, except for the circumstances contemplated in the APE;

(e) it will not sell, pledge, hypothecate or otherwise encumber or transfer any outstanding debt submitted thereby or any interest therein and will not grant to any person any proxy or other right to vote such debt from the date of the letter of transmittal until any termination of the APE Solicitation or APE and any purported sale, pledge, hypothecation or other encumbrance or transfer or grant of proxy or voting right will be void and of no effect;

(f) (1) none of us, the settlement agent, the information agent, the solicitation agents nor any person acting on behalf of any of the foregoing, has made any statement, representation or warranty, express or implied, to it with respect to us, this APE solicitation or the offer or delivery of the notes, cash consideration and cash interest payments, other than the information included in this solicitation statement, and (2) any information it desires concerning us, this APE solicitation and the notes, cash consideration and cash interest payments or any other matter relevant to its decision to accept this APE solicitation, including a copy of this solicitation statement, is or has been made available to it;

(g) in evaluating this APE solicitation and in making its decision whether to participate therein by submitting a letter of transmittal and submitting its outstanding debt, the holder has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on (1) any statement, representation or warranty, express or implied, made to the holder by us or the solicitation agents or the settlement agent other than those contained in this solicitation statement, as supplemented prior to the expiration date, or (2) any investigation that the solicitation agents or any of their affiliates or any person acting on any of their behalf may have made with respect to the notes, cash consideration and cash interest payments or us;

(h) the execution and delivery of the letter of transmittal will constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this solicitation statement;

(i) unless such holder is a holder of outstanding loans and has committed to sign the APE directly, the submission of the letter of transmittal to the settlement agent will, subject to the terms and conditions of this APE solicitation generally, constitute the irrevocable appointment of the settlement agent as its attorney-in-fact and agent, and an irrevocable instruction to the settlement agent to complete and execute all or any forms of transfer and other documents deemed to be necessary in the opinion of the settlement agent in relation to the outstanding debt submitted thereby in our favor or in the favor of any other person or persons as we may direct and to deliver these forms of transfer and other documents in the settlement agent s opinion and/or the certificates and other documents of title relating to the outstanding debt s registration and to execute all the other documents and to do all the other acts and things as, in the opinion of the attorney-in-fact or agent, may be necessary or expedient for the purpose of, or in connection with, the acceptance of this APE solicitation and to vest in us or our nominees the outstanding debt;

(j) the terms and conditions of this APE solicitation and the APE attached hereto will be deemed to be incorporated in, and form a part of, the letter of transmittal, which will be read and construed accordingly;

(k) the settlement agent is acting solely in its capacity as attorney-in-fact in order to execute the APE on behalf of the holder or the beneficial owner. The settlement agent does not assume any obligation or relationship of agency or trust, for or with the holder or the beneficial owner, and the settlement agent shall have no duties or obligations other than those specifically set forth in this solicitation statement and the letter of transmittal;

(l) we and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by it by its acquisition of the notes, cash consideration and cash interest payments are no longer accurate, it will promptly notify us;

(m) in acting as attorney-in-fact in order to execute the APE on behalf of the holder or the beneficial owner that grants a power of attorney, on the terms set forth in the solicitation statement and in the letter of transmittal, the settlement agent shall be entitled to all of the rights, immunities, benefits and protections afforded to the settlement agent under the settlement agent agreement dated , 2004 between us and the settlement agent;

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(n) the settlement agent is instructed to, and will only be authorized to, vote in favor of the APE;

(o) the execution and delivery of the letter of transmittal will constitute your acceptance 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 cramdown non-participating holders; and

(p) the settlement agent will return outstanding notes in the event of non-acceptance and/or revocation and/or termination of the APE Solicitation or APE.

Further, each holder of outstanding notes, or the beneficial owner of such outstanding notes on behalf of which the holder is receiving the listed notes, who is not a U.S. Person as defined pursuant to Rule 902(k)(2) of Regulation S under the Securities Act, will be deemed to acknowledge, represent, warrant and agree to the terms and conditions set forth under Transfer Restrictions and Jurisdictional Notices.

Under Rule 902(k)(1) of Regulation S under the Securities Act, U.S. person means (i) any natural person resident in the United States, (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (in an individual) resident in the United States; and (viii) any partnership or corporation if: (A) organized or incorporated under the laws of any foreign jurisdiction and (B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of the Securities Act) who are not natural persons, estates or trusts.

Under Rule 902(k)(2), the following are not U.S. persons : (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person if: (A) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and (B) the estate is governed by foreign law; (iii) any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country; (v) any agency or branch of a U.S. person located outside the United States if: (A) the agency or branch operates for valid business reasons; and (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans.

The acknowledgements, representations, warranties and agreements of a holder accepting the APE and submitting outstanding debt will be deemed to be repeated and reconfirmed on and as of each of the expiration date, the date the APE is executed, the date the APE is filed with the reviewing court and the date that the notes, cash consideration and cash interest payments are delivered to holders of outstanding debt. For purposes of this solicitation statement, the beneficial owner of any outstanding debt will be any holder that exercises sole investment discretion with respect to that outstanding debt.

Neither the delivery of this solicitation statement nor any acceptance or submission of, or payment for outstanding debt, will under any circumstances create any implication that the information contained in this solicitation statement is correct as of a time subsequent to the date hereof or that there has been no change in the information set forth in this solicitation statement or in any attachments hereto or documents delivered herewith since the date hereof.

Except as otherwise expressly required by applicable law, no representation, warranty or undertaking, express or implied, is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by the solicitation agent or any other dealer as to the accuracy or completeness of the information contained in this solicitation statement or any other information provided by us in connection with this solicitation statement.

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No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this solicitation statement and, if given or made, this information or representation may not be relied upon as having been authorized by us or the solicitation agent. This solicitation statement contains important information that should be read before any decision is made with respect to a vote or grant of a power of attorney, or commitment to sign the APE, with respect to outstanding debt.

This APE solicitation is not being made, notes, cash consideration and cash interest payments to be delivered pursuant to the APE are not being delivered, and tenders of outstanding debt will not be accepted from or on behalf of any holders, in any jurisdiction in which the making or acceptance thereof would not be in compliance with the notes, cash consideration and cash interest payments, blue sky or other laws of that jurisdiction or would require any registration or filing with any regulatory authority.

Procedures for Participating in the APE Solicitation

There are only a few court cases interpreting the law in Argentina regarding procedures involving APE agreements. Under some of these cases, certain courts have considered the execution of a proxy in favor of the settlement agent and the vote cast by the settlement agent sufficient to determine the vote of the creditor. However, certain courts may hold that a special meeting of holders of outstanding notes must be held to cast the vote. We do not intend to hold an actual meeting of holders of the outstanding debt unless we are required to do so by the reviewing court. Please refer to the instructions set forth in the letter of transmittal accompanying this solicitation statement.

How to Participate if You Hold Outstanding Notes

The outstanding notes are issued in global form and held of record by the nominees of Euroclear/Clearstream, Luxembourg or of DTC. In turn, the outstanding notes are recorded on DTC s books in the names of people who have accounts with DTC, which we refer to as DTC Participants, that hold the outstanding notes for beneficial owners.

If your outstanding notes are held through Euroclear 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 (1) transfer of outstanding notes to the settlement agent and grant powers of attorney with respect to outstanding notes held by them on behalf of their direct participants in this APE solicitation, (2) block any transfer of outstanding notes for which powers of attorney are being granted until the issuance date and (3) debit their account on or about the date the notes will be delivered to holders of outstanding debt, or as soon as practicable thereafter, in respect of all outstanding notes accepted pursuant to this APE solicitation by us; 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 being submitted and other required information. Euroclear and Clearstream, Luxembourg may impose additional deadlines in order to properly process these instructions. As a part of tendering through Euroclear or Clearstream, Luxembourg, you are required to become aware of any of these deadlines.

Only DTC Participants that have security positions in the outstanding notes in their DTC accounts will be entitled to vote and participate directly in this APE solicitation. 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 instruct that securities intermediary to vote on your behalf by executing an instruction letter and delivering it to that securities intermediary or by following that securities intermediary s internal procedures. **Instruction letters should be delivered to your securities intermediary well in advance of the expiration date if you are a beneficial owner and wish to participate in this APE solicitation because your securities intermediary may 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 tender your outstanding notes. We will not be responsible if you or your securities intermediary fails to meet any delivery deadlines.

If you are a DTC Participant that holds outstanding notes, the settlement agent and DTC have confirmed that this APE solicitation is eligible for ATOP. Accordingly, DTC Participants must electronically transmit their acceptance of this APE solicitation by causing DTC to transfer their outstanding notes to the settlement agent in accordance with DTC s ATOP procedures for this transfer. DTC will then send an Agent s Message to the settlement agent.

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In addition, if you hold outstanding notes through Euroclear or Clearstream, Luxembourg, or are 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 that letter of transmittal to the 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 may contact the Luxembourg agent for assistance in complying with the procedures outlined above.

How to Participate if You are a Holder of Outstanding Loans

If you hold outstanding loans and/or commissions, 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 and contact the information agent and settlement agent for further instructions as to how to complete your vote and election among the options with respect to your outstanding loans prior to the expiration date. Delivery of a properly executed letter of transmittal and a grant of a power of attorney, or commitment to sign the APE, with respect to outstanding loans and/or commissions are required in order to participate in this APE solicitation. If you hold outstanding loans and/or commissions and agree to participate in this APE solicitation, we will require that you grant the settlement agent a power of attorney to execute the APE on your behalf or that you commit to sign the APE directly.

Delivery of Listed Notes, Cash Consideration and Cash Interest Payments for Outstanding Notes

The listed notes will be accepted for clearance by DTC (in the case of the global notes issued in the APE to holders of Telecom s currently outstanding Series C notes only), Euroclear and Clearstream, Luxembourg. Beneficial interests in the notes will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC (in the case of the global notes issued in the APE to holders of Telecom s currently outstanding Series C notes only), Euroclear or Clearstream, Luxembourg. See Description of the Notes Form of Notes; Book-Entry System. Notes issued, cash consideration and cash interest payments made for outstanding notes following court approval of the APE will be made available at DTC (in the case of the global notes issued in the APE to holders of Telecom s currently outstanding Series C notes only), Euroclear or Clearstream, Luxembourg account that you specify in the letter of transmittal.

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 Issuance of Definitive Notes.

Delivery of Unlisted Notes, Cash Consideration and Cash Interest Payments for Outstanding Loans

Unlisted notes issued for outstanding loans following court approval of the APE will be made available at the address that you specify in the letter of transmittal. Cash consideration and cash interest payments made for outstanding loans will be wired to the account specified in the letter of transmittal.

Any outstanding notes that has been submitted pursuant to this APE solicitation but that is not accepted will be returned to the holder thereof without cost to this holder as soon as practicable following the earlier to occur of the expiration date or the date on which this APE solicitation is terminated without any outstanding notes being purchased thereunder.

Meetings for Holders of Outstanding Notes

As contemplated by our APE solicitation, 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 for or against approval of the APE. Holders of outstanding notes who wish to vote against the APE must attend and vote at the meeting. Beneficial owners of outstanding notes who wish to attend the meeting and vote against the APE must provide notice to the settlement agent and to us of their intention to attend the meeting. In the event that more than one meeting must be held due to a failure to reach a quorum or otherwise, the process for obtaining approval by the reviewing court could be delayed. Notice of such a meeting will be provided in the same manner as set forth in Announcements of Extension, Amendment or Termination.

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 to the settlement agent by duly executing a letter of transmittal unless the previously submitted outstanding notes and duly executed letter of transmittal and power of attorney contained therein have been properly revoked and they have provided the requisite notice described below. Proper revocation of a power of attorney granted will only be permitted as a result of an APE amendment that is, in our view, materially adverse to one or more holders. See Revocation.

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Guaranteed Delivery

If you wish to submit outstanding notes pursuant to the APE solicitation and cannot submit a duly executed letter of transmittal, notarized and if executed outside of Argentina, apostilled, to the settlement agent by the expiration date, you may nevertheless submit such outstanding notes if all of the following conditions are met:

- a properly completed and duly executed notice of guaranteed delivery in the form provided by Telecom is received by the settlement agent (as provided below) by the expiration date; and

- a confirmation of a book-entry transfer of outstanding notes into the book-entry records maintained by Euroclear, Clearstream, Luxembourg (or in the case of the notes issued in the APE to holders of Telecom s currently outstanding Series C notes only, DTC), together with a properly completed and duly executed letter of transmittal, notarized and, if executed outside of Argentina, apostilled, (or facsimile thereof) together with any required signature guarantee or an Agent s Message are received by the settlement agent within five business days after the execution of the notice of guaranteed delivery.

The notice of guaranteed delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or mail to the settlement agent.

Revocation

A grant of a power of attorney will be irrevocable except as otherwise provided below. If we amend the terms and conditions of this APE solicitation and the amendment is, in the reasonable judgment of the parties to the APE, materially adverse to one or more holders of outstanding debt that have elected to participate in this APE solicitation by granting a power of attorney to consent to the APE and electing among the options, this or these holders shall be entitled to revoke their power of attorney with respect to all, but not less than all, of its outstanding debt by written notice to us and the settlement agent prior to 3:00 p.m., New York City time, 4:00 p.m., Buenos Aires time, on the fifth business day after the date on which notice of this amendment has been provided.

For a revocation of a power of attorney with respect to outstanding debt to be effective, a written or facsimile transmission notice of revocation must be received by the settlement agent during any period in which revocations are allowed at its address set forth on the back cover page of this solicitation statement. Any notice of revocation must (a) specify the name of the direct participant or holder who is revoking the grant of the power of attorney with respect to outstanding debt to be withdrawn, (b) contain a description of the election choice for the outstanding debt to be withdrawn and the aggregate principal amount represented by the outstanding debt and (c) be signed by the holder of that outstanding debt in the same manner as the original signature on the letter of transmittal by which the power of attorney with respect to that outstanding debt was submitted. If the outstanding debt to be withdrawn has been delivered or otherwise identified to the settlement agent, a signed notice of revocation will be effective immediately upon written or facsimile notice of that revocation even if physical release is not effected.

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 will not have the right to revoke their commitment, unless we make an amendment to the terms and conditions of this APE solicitation that is, in the reasonable judgment of the parties to the APE, materially adverse to one or more holders of outstanding loans that has granted a commitment with respect to the outstanding loans.

Validity

We, in our sole discretion, will determine all questions as to the form of documents and validity, eligibility, including time of receipt and acceptance for payment, and our determination will be final and binding. We reserve the right to reject any and all letters of transmittal and grants of a power of attorney or commitments to sign the APE directly contained therein with respect to outstanding debt that we determine are not in proper form or the acceptance for payment of or payment for which may, in the opinion of our counsel, be unlawful. We also reserve the right, in our sole discretion, to waive any of the conditions of this APE solicitation or any defect or irregularity in the letter of transmittal or grant of a power of attorney or commitment to sign the APE directly of any particular holder contained therein, whether similar conditions, defects or irregularities are waived in the case of other holders. Our interpretation of the terms and conditions of this APE solicitation, including the instructions in the letter of transmittal, will be final and binding. None of us, the settlement agent, the solicitation agent, the information agent, the trustee for the outstanding notes or any other person will be under any duty to give notification of any defects or irregularities in any letter of transmittal or grant of a power of attorney or commitment to sign the APE directly contained therein with respect to the outstanding debt of any particular holder, or any notices of revocation or will incur any liability for failure to give any notification.

Conditions to the APE Solicitation

We will terminate this APE solicitation if the minimum required participation in Option A is not met. The minimum required participation in Option A requires that holders of our outstanding debt elect to retire at least the equivalent of US$300 million of outstanding debt and capitalized interest under Option A.

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In addition, we will not be required to consummate this APE solicitation, and we may terminate this APE solicitation, at our option, subject to applicable laws and regulatory requirements, withdraw this APE solicitation at any time prior to or concurrently with the expiration of this APE solicitation, as extended for any reason in our sole discretion if any of the following conditions have not been satisfied or, in the case of conditions (c) through (g), waived:

(a) The settlement agent has received powers of attorney or the commitment of holders of outstanding loans to sign the APE directly from the requisite majorities, in accordance with the terms prescribed by Argentine law to make this agreement enforceable in Argentina for purposes of Chapter VII, Title II of the Argentine Bankruptcy Law. See Risk Factors The Argentine Bankruptcy Law does not specify how the requisite majorities should be calculated for purposes of the court approval of the APE for a discussion of uncertainties related to the calculation of the requisite majorities.

(b) All governmental and third party approvals necessary in connection with the transactions contemplated hereby, including, without limitation, the Argentine Central Bank s approval of the cash consideration and cash interest payments, the approval of the issuance and delivery of the notes by Telecom s shareholders and all approvals of the CNV, the Buenos Aires Stock Exchange, Mercado Abierto Electrónico S.A., the CONSOB, the Bank of Italy, the Luxembourg Stock Exchange, the *Commission de Surveillance du Secteur Financier* and the SEC necessary for the consummation of this APE solicitation have been obtained and continue to be valid and in full force and effect.

(c) Subsequent to the commencement of the APE solicitation, no action or event shall have occurred or been threatened (*provided* that the threat is documented), no action shall have been taken, and no statute, rule, regulation, judgment, order, stay, decree or injunction shall have been promulgated, enacted, entered, enforced or deemed applicable to this APE solicitation or any of the options, by or before any court or governmental, regulatory or administrative agency, authority or tribunal, including, without limitation, any amendment of the Argentine Bankruptcy Law, that either:

(1) challenges the making of the APE solicitation or any of the options, or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of this APE solicitation, or any of the options; or

(2) in our judgment, could materially adversely affect the business, economic or financial condition, revenues, income, operations, properties, assets, liabilities or prospects of Telecom and its subsidiaries based on conditions as of the date of this solicitation statement, taken as a whole, or materially impair the contemplated benefits to Telecom of this APE solicitation or any of the options.

(d) Subsequent to the commencement of the APE solicitation, there shall not have occurred any of the following: (1) any general suspension of or limitation on trading in securities in Argentina, Italy, the United States or other financial markets, including the over-the-counter market, whether or not mandatory, (2) a material impairment in the general trading market for debt securities, (3) a declaration of a banking moratorium in Argentina, Italy, the United States or other major financial markets, whether or not mandatory, (4) a commencement of a war, armed hostilities or other national or international crisis directly or indirectly relating to Argentina, Italy or the United States, (5) any material adverse change in political or economic conditions in Argentina or in securities or financial markets in Argentina, Italy, the United States or other international securities or financial markets generally, (6) a material change in the peso, U.S. dollar, euro or yen currency exchange-rates or a general suspension of or material limitation on the markets therefor or (7) in the case of any of the foregoing existing at the time of the commencement of this APE solicitation, a material acceleration or worsening thereof, which, in the case of (1) through (6) could materially adversely affect the business, economic or financial condition or revenues of Telecom and its subsidiaries based on conditions as of the date of this solicitation statement.

(e) The trustee with respect to the indenture under which the outstanding notes have been issued and the trustee with respect to the indenture under which the notes will be issued shall not have objected in any respect to, or taken any action that could, in our reasonable judgment, adversely affect the consummation of this APE solicitation or any of the options, nor shall the trustee have taken any action that challenges the validity or effectiveness of the procedures we used in making this APE solicitation or any of the options.

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(f) After the publication of the APE solicitation, we shall not have received notice of any regulatory authority that this APE solicitation is in violation of the laws of its jurisdiction.

(g) The concurrent or prior consummation of Telecom Personal s debt restructuring (which restructuring shall be subject to substantially similar conditions with respect to Telecom Personal).

We reserve the right to amend or modify the APE solicitation, by giving oral notice, promptly confirmed in writing, or written notice of the amendment or modification to the solicitation agents or to extend the expiration date for this APE solicitation, at any time and from time to time, in our sole discretion, subject to applicable law. Notice of the amendment will be published as described in Announcements of Extension, Amendment or Termination.

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

The foregoing conditions, other than clauses (a) and (b) above, are for our sole benefit and may be waived by us in whole or in part in our reasonable discretion. Any determination made by us concerning an event, development or circumstance described or referred to above will be conclusive and binding.

We reserve the right, in our sole discretion, if this APE solicitation is not successful, to purchase or make offers to purchase any outstanding notes and outstanding loans that remain outstanding subsequent to the expiration date for this APE solicitation and, to the extent permitted by applicable law, purchase outstanding notes in the open market, in privately negotiated transactions, tender offers, another APE solicitation or otherwise. The terms of any of these purchases or offers could differ from the terms of this APE solicitation. If this APE solicitation is not successful, there is a significant likelihood that we will have to commence reorganization (*concurso*) proceedings in Argentina. See Risk Factors Risks Associated with the APE Solicitation.

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 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.

Retail beneficial owners will be able to nominate processors in the accompanying instruction letter. No processing fee will be paid in respect of any outstanding notes for which no processor is designated.

We will cause the processing fee to be delivered to the settlement agent. The settlement agent will be required to undertake to distribute the processing fee within a reasonable time after the issuance date to the appropriate persons. Neither we nor the solicitation agent will be responsible for distributing the processing fee or for ensuring that the settlement agent makes this distribution. If the information is incomplete or we are unable to verify a processor s eligibility, then no processing fee will be paid to that processor. No person in the United States may receive a processing fee unless that person is a member of the National Association of Securities Dealers, Inc. or a bank legally authorized to receive these processing fees.

Other Fees and Expenses

We will bear the expenses of soliciting tenders to this APE solicitation. We are making the principal solicitation by mail. Additional solicitations may be made by telegraph, facsimile transmission, telephone, e-mail or in person by the solicitation agent and the information agent.

Holders of outstanding debt that elect to participate in this APE solicitation will not be required to pay any fee or commission to the solicitation agent. If, however, a participating holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, that holder may be required to pay brokerage fees or commissions to those institutions.

For a description of court fees in connection with the APE, see Description of the APE.

Information Agents

Georgeson Shareholder Communications, Inc. has been appointed as the information agent for this APE solicitation in the United States and Argentina and GSC Proxitalia SpA has been appointed as the information agent for this APE solicitation in Europe. The information agents will receive customary compensation for their services.

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Questions concerning tender procedures and requests for additional copies of this solicitation statement or the letter of transmittal should be directed to the information agents at their addresses and telephone numbers set forth on the back cover page of this solicitation statement. Holders of outstanding debt may also contact their commercial bank, broker, dealer, trust company or other nominee for assistance concerning this APE solicitation.

Solicitation Agents

We have retained Morgan Stanley & Co. Incorporated to act as solicitation agent in connection with this APE solicitation. MBA Banco de Inversiones S.A. will act as solicitation agent in Argentina only. We will pay fees to the solicitation agents for their role as solicitation agents for soliciting powers of attorney to execute the consent to the APE or commitments to sign the APE directly from holders of outstanding debt. We will also reimburse the solicitation agents for reasonable and documented out-of-pocket expenses, including, but not limited to, the cost of their United States and Argentine counsel. The obligations of the solicitation agents to perform these functions are subject to certain conditions. We have agreed to indemnify the solicitation agents against certain liabilities, including certain liabilities under U.S. federal securities laws. Questions regarding the terms of this APE solicitation may be directed to the information agent or the solicitation agents at their addresses or telephone numbers set forth on the back cover page of this solicitation statement.

Settlement Agent

The Bank of New York has been appointed as the settlement agent for this APE solicitation. We will pay the settlement agent customary fees for its services and will reimburse it for its reasonable and documented out-of-pocket expenses in connection therewith. Letters of transmittal and all correspondence in connection with this APE solicitation should be sent or delivered by each holder of outstanding debt, or a beneficial owner s commercial bank, broker, dealer, trust company or other nominee, to the settlement agent at its address or facsimile number 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.

Luxembourg Agent

We have retained BNP Paribas Securities Services, Luxembourg Branch, to act as Luxembourg agent with respect to the APE solicitation. For services of the Luxembourg agent, we have agreed to pay reasonable documented and customary fees and to reimburse the Luxembourg agent for its reasonable out-of-pocket expenses in connection with such services. The Luxembourg agent will be able to provide holders of the outstanding notes with certain documents in connection with the APE solicitation and will respond to questions from holders of outstanding notes with respect to the APE solicitation. The Luxemburg agent will also act as settlement agent in Luxembourg. In this capacity, the Luxembourg agent will be able to assist holders of outstanding notes listed on the Luxembourg Stock Exchange in submitting their letters of transmittal to the settlement agent. See General Information.

Telecom Personal Restructuring Proposal

Concurrently with our APE solicitation, Telecom Personal expects to conduct an APE solicitation in which will solicit its existing creditors to grant a power of attorney to execute an APE on their behalf, or commit to execute an APE directly under which Telecom Personal will restructure its outstanding debt, including the equivalent of US$27 million principal amount in intercompany obligations owed to Telecom, by issuing new debt instruments 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 new debt instruments pursuant to its restructuring are expected to be similar to the terms of Telecom s unlisted notes pursuant to its APE.

As of December 31, 2003 Telecom Personal had approximately US$599 million unconsolidated outstanding debt. The principal amount of Telecom Personal s unconsolidated outstanding debt was the equivalent of US$554 million as of December 31, 2003. The principal amount of Telecom Personal s unconsolidated outstanding debt includes the equivalent of US$27 million principal amount of intercompany debt owed to Telecom and certain commissions payable to certain banks on Telecom Personal s outstanding loans that are being restructured. In addition, as of December 31, 2003 Telecom Personal had also guaranteed approximately the equivalent of US$42.6 million principal face amount of financial indebtedness of Núcleo, which is not included in Telecom Personal s APE solicitation. As of March 31, 2004 the total principal amount of Telecom Personal s debt was US$559 million. As of March 31, 2004, Telecom Personal s unconsolidated outstanding debt was US$612 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) and its consolidated outstanding debt was US$685 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), including accrued but unpaid interest, penalties and post-default interest rate increases.

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If Telecom Personal s APE solicitation is completed in the form that it has proposed, Telecom Personal will make available to each of its existing creditors, subject to proration and the other terms and conditions of its APE solicitation for each 1,063 principal amount of outstanding debt (including capitalized interest of 63):

Option A to creditors who select Telecom Personal s Option A, 1,063 principal amount of debt instruments due 2014. The Option A debt instruments are expected to bear interest at 5.53% from 2004 through 2008, and 8.0% from 2009 through 2014; or

Option B to creditors who select Telecom Personal s Option B, 1,000 principal amount of Option B debt instruments due 2010. The Option B debt instruments are expected to bear interest at 8.0% in 2004 and 2005, 9.0% in 2006, 10.0% in 2007 and 2008 and 11.0% in 2009 and 2010. The interest in 2004 will be capitalized for the period from January 1, 2004 through the issuance date; or

Option C to creditors who select Telecom Personal s Option C, a cash payment at a price not greater than 850 nor less than 740, to be determined pursuant to a Modified Dutch Auction, which means that Telecom Personal will select the single lowest purchase price based on the prices specified by creditors, within the range of 740 to 850 per 1063 principal face amount of outstanding debt (including capitalized interest of 63), that will enable Telecom Personal to purchase the equivalent of US$178 million of outstanding debt for an aggregate purchase price of US$143 million or less.

Creditors who select Telecom Personal s Option B agree that up to 30% of their outstanding debt amount may be allocated to Option C.

There will be no limits as to participation in Telecom Personal s Option A and Telecom Personal s Option B. A maximum of US$178 million of outstanding debt, including capitalized interest, may be allocated to Telecom Personal s Option C. If Option C is undersubscribed, then up to 30% of the outstanding debt amount including capitalized interest will be allocated to Option C.

If Telecom Personal obtains support in favor of its APE from holders of at least 95% of its financial indebtedness, Telecom Personal reserves the right to pursue an out-of-court restructuring without seeking court approval of its APE.

If Telecom Personal s restructuring is completed through an APE, if court approval of the APE is granted and other conditions are satisfied or waived, non-participating holders of outstanding debt that have not consented to the APE with respect to any portion of their outstanding debt will be deemed to have elected to have their outstanding debt allocated to 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 C. The elections of participating holders, as well as these deemed elections, may give rise to a need to prorate the oversubscribed options and to allocate the remaining portion of outstanding debt into the undersubscribed options.

Telecom currently intends to participate in Telecom Personal s restructuring and select Option A with respect to its equivalent of US$27 million outstanding loan to Telecom Personal although this election will be subject to proration.

After completion of the restructuring, if implemented in its proposed form, Telecom Personal expects to have US$417 million of unconsolidated outstanding financial indebtedness, which is expected to consist of Option B debt instruments with principal maturities of 4.0% in 2006, 10.0% in 2007, 25.0% in 2008, 30.0% in 2009 and 31.0% in 2010 bearing interest at the annual rate of 8% in 2004 and 2005, 9% in 2006, 10% in 2007 and 2008 and 11% in 2009 and 2010. The aggregate principal amount of Option B debt instruments includes capitalized interest from January 1, 2004 through the issuance date, which is assumed to be October 15, 2004.

Telecom Personal s debt instruments are expected to be subject to mandatory prepayment provisions that will require Telecom Personal to prepay the debt instruments with excess cash (as defined in the Telecom Personal debt instruments), subject to requirements regarding Telecom Personal s minimum cash balance. Telecom Personal will also be subject to covenants that will, among other things, limit Telecom Personal s ability to incur liens, incur indebtedness, sell assets, engage in transactions with our shareholders and affiliates, make capital expenditures, make restricted payments (including loans and investments), impose payment restrictions affecting restricted subsidiaries, engage in other lines of business or engage in certain mergers. While Telecom Personal s notes are outstanding, these covenants will significantly restrict Telecom Personal s ability to distribute cash to us.

The debt instruments to be issued to Telecom Personal s lenders will not be registered under the Securities Act of 1933, as amended (the Securities Act) and may not be offered or sold in the United States absent registration or

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an applicable exemption from the registration requirements of the Securities Act. Telecom Personal will conduct its APE solicitation in reliance on exemptions from the registration requirements of the Securities Act. Accordingly, Telecom Personal will not solicit the participation of any creditors in its APE other than non-U.S. persons located outside the United States or persons who are Qualified Institutional Buyers as defined in Rule 144A of the Securities Act.

Telecom Personal is in the process of discussing its restructuring proposal with representatives of its creditors. Telecom Personal s negotiations with its creditors are ongoing, and it is possible that the final restructuring plan will contain additional or different terms, including higher levels of indebtedness and/or interest rates than is described herein.

Telecom Personal s debt restructuring proposal 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 under a single syndicated loan. 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. Under the terms of the proposed restructuring, Telecom Personal proposes to make a payment to Núcleo s creditors under the syndicated loan in the amount of approximately US$4.3 million, or 10% of Telecom Personal s obligation under the existing guarantee. In exchange for this payment, Telecom Personal will secure the full and unconditional release of the guarantee and will receive a promissory note in the amount of approximately US$4.3 million having substantially the same terms as the restructured syndicated loan agreement. The promissory note will be subordinate in right of payment to the syndicated loan.

If Núcleo is not able to effectively restructure financial indebtedness underlying Telecom Personal s guarantee prior to the completion of Telecom Personal s APE solicitation, it is expected that Telecom Personal s APE solicitation will be amended to include the restructuring of the guarantee (and the underlying indebtedness). In the event that Telecom Personal s guarantee of Núcleo s financial indebtedness is included in Telecom Personal s APE solicitation, the holders of this guarantee are expected to be provided with the following options:

- they may choose to exercise the guarantee and to submit a claim in an amount equal to the face principal amount of guaranteed debt, in which case they will receive the same consideration provided to the other holders of Telecom Personal s financial indebtedness.
- they may choose not to participate in Telecom Personal s APE solicitation, in which case they will be treated as non-participating holders of Telecom Personal s financial indebtedness having a claim in an amount equal to the face principal amount of the guaranteed debt and will be allocated the same consideration as other non-participating holders.

Telecom s goal is to secure a release of this guarantee as well as the underlying indebtedness of Núcleo guaranteed by Telecom Personal (together with interest, penalties and post-default interest rate increases). Negotiations with Núcleo s creditors are ongoing, and Telecom cannot be certain that its restructuring proposal will be accepted.

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DESCRIPTION OF THE APE

This section provides a summary of the structure and means of implementing the APE and the classification and treatment of certain claims against us under the APE. This section is qualified in its entirety by reference to the APE, a form of which is attached as an exhibit to the registration statement.

The statements contained in this solicitation statement include summaries of the provisions contained in the APE and the documents referred to in the APE. The statements contained in this solicitation statement do not purport to be precise or complete statements of all the terms and provisions of the APE or the documents referred to in the APE, and reference is made to the APE and to those documents for the full and complete statements of those terms and provisions.

The APE, a form of which is attached as an exhibit to the registration statement, controls the actual treatment of claims against us that are subject to the APE and will, upon approval, or *homologación*, by the reviewing court be binding upon holders of those claims against us.

The APE restructures our obligations under the outstanding debt, consistent with the provisions of the Argentine Bankruptcy Law. If the APE is granted court approval and consummated, and subject to any modifications of the terms of the APE by the reviewing court, holders of outstanding debt will, based on their election or deemed election and subject to proration, receive either (a) series A notes, (b) series B notes, (c) an Option C cash payment or (d) a combination of (a), (b) and (c).

The amendments to the Argentine Bankruptcy Law allowing private sector debtors to restructure their unsecured liabilities pursuant to an APE, in its current form, were adopted in May 2002. To our knowledge, there are few judicial interpretations of proceedings involving APE agreements, and Argentine courts may therefore construe the statutory rules applicable to proceedings involving APE agreements in a manner differently than we do. Accordingly, while we have been advised by our Argentine counsel that the APE satisfies the requirements of the Argentine Bankruptcy Law, we cannot assure you that the reviewing court will not challenge one or more aspects of the APE, or that the APE will be granted court approval substantially in the form that we have proposed. Various procedures that we have outlined herein and elsewhere in this solicitation statement with respect to the filing and court approval of the APE are based on the experience of other Argentine companies with the Argentine Bankruptcy Law and Argentine courts prior to the adoption of the APE procedure in the amendments to the Argentine Bankruptcy Law.

Summary of the Proceedings Involving APE Agreements

As described in this solicitation statement, the APE agreement was established to enable debtors that are unable to pay all or part of their unsecured debts as they become due to restructure those obligations in a manner that is binding upon all unsecured creditors of the debtor. An APE binds only creditors of the entity entering into the APE, not creditors of its subsidiaries. Furthermore, a debtor s secured creditors are also excluded from the APE. Pursuant to Section 73 of the Argentine Bankruptcy Law, together with the remaining sections of the Argentine Bankruptcy Law relating to the APE, which we refer to as the APE rules, a debtor must obtain the approval of its restructuring proposal from a majority of its unsecured creditors (based on the total number of creditors as described in this solicitation statement with respect to the level of creditor consent) accounting for at least two-thirds, or any lower percentage that may be required by Argentine law, of its total outstanding unsecured indebtedness (based on the total outstanding amount of principal and accrued but unpaid interest) affected by the restructuring contemplated in its APE and file the agreement evidencing this restructuring proposal with a reviewing court for court approval, in accordance with Chapter VII of Title II of the Argentine Bankruptcy Law.

On December 4, 2003, the Argentine Senate passed a draft law, which we refer to as the Draft, which:

- reduces the requisite majorities in order for a court to approve (*homologar*) an APE to 51% of the aggregate principal amount of existing unsecured debt;
- requires, in approving the APE, the court to consider whether the APE is fair for all of the parties involved and that it is not discriminatory against the non-participating creditors; and
- states that, exclusively for purposes of calculating the requisite majorities, the claims in currencies other than pesos originated prior to the Argentine devaluation (January 6, 2002) will be computed at an exchange rate of US$1= P$1.

If the Draft is approved by the Argentine House of Representatives and subsequently enacted, its provisions may apply to this 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

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plan will be counted as one vote in favor 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 debt held by holders who abstain from voting in the relevant meeting will not be computed for purposes of calculating the majorities required to grant court approval of the APE. Two of these 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.

To our knowledge, no court in the United States or any other jurisdiction has ruled on whether and under what circumstances a proceeding involving APE agreements would be recognized outside of Argentina. At least one Argentine reorganization (*concurso*) proceeding has in the past 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.

Creditors may contest an APE solely on the grounds of (a) misrepresentation by the debtor of its assets or liabilities in the assets and liabilities statement filed with the reviewing court, or (b) failure of the debtor to obtain the support of the requisite majorities. 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 it fails to meet certain minimum fairness standards.

Under the APE rules, among other documents, we are required to file along with the APE a list of our assets and liabilities, which we refer to as the assets and liabilities statement. The assets and liabilities statement must be certified by an independent public accountant and must be dated as of the cut-off date. We will determine that we have the level of creditor consent to file the APE and request court approval on the basis of this determination by reference to the assets and liabilities statement.

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

Effect of the APE on Our Outstanding Debt

We are proposing to restructure only the claims of holders of our outstanding debt, or the affected claims, pursuant to our APE. We are current with respect to all of our material liabilities (including our commercial obligations), other than the outstanding debt. We do not intend to seek the consent of holders of commercial obligations to the APE. As a result, we may ask the reviewing court to find that the holders of commercial obligations are deemed to have accepted the APE by virtue of the fact that their claims have not been affected. Alternatively, if the reviewing court requires us to, or, if we determine that it is advisable to, include commercial obligations in the APE, we will request the formal approval of the APE from both holders of commercial obligations and holders of affected claims and we will offer holders of commercial obligations, in full satisfaction, settlement and release of their claims, treatment that leaves unaltered the legal, equitable, and contractual rights to which the holders of those claims are entitled at that time. We reserve the right to pay any holder of a commercial obligation or a preferred claim in full on the date that any commercial obligation or preferred claim becomes due in the ordinary course of our business. Court approval of our APE will be a judicial determination of the discharge and release of all affected claims, except as to claims that are preserved, reinstated or assumed under the terms of the APE or the court approval, if any.

Administrative Claims

We will incur liabilities, which we refer to as the administrative claims, related to the cost and expenses of administration of the court proceedings related to the APE and the preservation of our assets incurred after the APE filing date. These claims are entitled to priority under Section 240 of the Argentine Bankruptcy Law. We are entitled to pay each administrative claim in accordance with any applicable reviewing court resolution, the terms of any agreement relating to any administrative claim or on such other less favorable terms as agreed upon with the holder of any administrative claim.

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Claims Included in a Proceeding Involving APE Agreements

By giving their consent to the APE for the amount of their outstanding debt, including accrued but unpaid interest, in the manner described under The APE Solicitation, holders of claims participating in the APE will be entitled to elect among Option A, Option B and Option C. Upon court approval of the APE and subject to any modification of the terms of the APE by the reviewing court, each participating holder shall receive, in full satisfaction, settlement, release, and discharge of and as payment for its outstanding debt consideration under Option A, Option B, Option C or a combination thereof.

Each participating holder waives any rights that it may have pursuant to Argentine law to (a) challenge the validity of the transactions contemplated by the restructuring, including the right to claw back, or be subject to *acción revocatoria*, any payment we make in connection therewith and (b) bring any action against any of our directors, officers or members of our supervisory committee (the Supervisory Committee), or *acción de responsabilidad*, in connection with or as a result of any of these transactions.

Effects of the APE on Our Business and Operations

Our Operations During the Interim Period

We will continue to operate during the interim period in the ordinary course of business. We will not pay any interest on our outstanding debt during the interim period. We expect that cash on hand and cash from operations will be sufficient to allow us, during the interim period, to continue to operate our business as currently operated. We will undertake, in the APE, to be bound by certain restrictions and covenants similar to the terms provided for in the indenture governing the notes. See Description of the Notes for a description of restrictions and covenants that will become applicable on the issuance date.

Treatment of Executory Contracts and Unexpired Leases

We intend to continue to honor all of our obligations under any executory contracts and unexpired leases.

Continued Corporate Existence After Court Approval

We will continue to exist after receiving the approval of the APE by the reviewing court.

Corporate Action Upon Court Approval

As early as practicable, but not later than 90 days after we receive the reviewing court approval and certain other conditions are met or waived, we will execute and deliver the indenture and execute and deliver the notes, cash consideration and cash interest payments, as notified by the settlement agent.

As of the issuance date, on which all of the actions listed in the preceding paragraph shall have been taken, we will be deemed, under the terms of the APE, to have complied in full with the APE, without further act or action under applicable law, regulation, order or rule.

Treatment of Outstanding Debt After Court Approval

Once the notes, cash consideration and cash interest payments are made available to our holders, (a) all outstanding debt will be cancelled and extinguished as a matter of Argentine law and (b) our obligations to holders of our outstanding debt, the trustee of the outstanding notes and any existing agent thereunder and under any agreements or instruments governing this indebtedness will be discharged; *provided, however*, that the indenture that governs the rights of the holders of outstanding notes will continue in effect solely for the purpose of permitting the trustee thereunder to maintain, as general unsecured commercial claims, any rights it may have for fees, costs, and expenses under that indenture.

Preservation of Rights of Action During the Interim Period

During the interim period, we will retain our rights in respect of, and may, in our discretion, enforce, sue on, settle or compromise, all claims, rights or causes of action, suits and proceedings.

Provisions Governing Submission of Outstanding Debt and Delivery of Notes Issued, Cash Consideration and Cash Interest Payments Made Pursuant to the APE

Assets and Liabilities Statement and Creditors List

Under the APE rules, we are required to file along with the APE and certain other documents (a) the assets and liabilities statement and (b) a detailed list of our creditors, which we refer to as the creditors list, in each case as certified by an independent public accountant. We will determine that we have satisfied the level of creditor consent to file the APE and request court approval by reference to the assets and liabilities statement and the creditor list.

Transfer of Outstanding Debt

Outstanding Notes. Holders of outstanding notes will vote their outstanding notes and agree to transfer their outstanding notes to Telecom in the manner described in The APE Solicitation Terms of the APE Solicitation Overview Voting Outstanding Debt and The APE Solicitation Procedures for Participating in the APE Solicitation How to Participate if You Hold Outstanding Notes.

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Outstanding Loans. Holders of outstanding loans will vote their outstanding loans and agree to assign their outstanding loans in the manner described in The APE Solicitation Terms of the APE Solicitation Overview Voting Outstanding Debt and The APE Solicitation Procedures for Participating in the APE Solicitation How to Participate if You are a Holder of Outstanding Loans.

Delivery of Notes Issued, Payment of Cash Consideration and Cash Interest Payments Made Pursuant to the APE

Delivery of the Notes

On the issuance date, we will issue and make the notes available for delivery. Issuance and delivery of the notes will be governed by the indenture. In order to evidence to the reviewing court that we have issued and made the notes available for delivery in compliance with the court approval, and thereby close the APE process, we will request that the trustee under the notes indenture issue a certificate as to these issuances and deliveries. See Description of the Notes Form of Notes; Book-Entry System Settlement.

Delivery of Cash Consideration and Cash Interest Payments

We will pay cash consideration and make the cash interest payments on the issuance date. The reviewing court may require us to confirm that the holders of our outstanding notes and outstanding loans or their intermediaries had received the cash consideration and the cash interest payments.

Withholding and Reporting Requirements

We will comply with all tax withholding and other reporting requirements imposed by any Argentine federal, state or local taxing authority, and all payments will be subject to any of these withholding and reporting requirements.

Set-Off

Pursuant to the Argentine Civil Code, creditors of a company in bankruptcy (*quiebra*) may only exercise a set-off if Telecom s debt subject to the set-off was due and enforceable at the time bankruptcy (*quiebra*) was declared. Neither the reorganization (*concurso*) rules nor the APE procedure includes special set-off rules. Despite this lack of specific regulation, Argentine courts apply the bankruptcy (*quiebra*) set-off rules to reorganization (*concurso*) proceedings. As the APE procedure is new, we cannot be certain whether the same set-off rules will be applied to the APE procedure. We have been advised by our Argentine counsel, Marval, O Farrell & Mairal and Estudio Alegria, Buey Fernández, Fissore y Montemerlo S.R.L., however, that those set-off provisions applicable to bankruptcy (*quiebra*) and reorganization (*concurso*) proceedings may apply to the APE procedure as well. As a result, holders of outstanding debt may not exercise a set-off with respect to our debts after the filing of the APE if the debt owed by us was not due and enforceable before the APE filing date.

No Notes, Cash Consideration or Cash Interest Payments to be Issued or Paid Pending Court Approval

The notes can be issued, and the cash consideration and cash interest payments can be paid, only after court approval of the APE and certain other conditions are satisfied or waived.

Treatment of Holders of Outstanding Debt Who Do Not Participate in the APE Solicitation

Objections to Approval of the APE

Non-participating holders may contest the APE for ten Argentine court days, commencing from the last public notice, or *publicación de edictos*, of the filing of the APE. Creditors may contest an APE solely on the following grounds: (a) misrepresentation by the debtor of its assets or liabilities in the assets and liabilities statement filed with the reviewing court or (b) failure of the debtor to obtain the support of the requisite majorities.

If deemed to be necessary or appropriate, the reviewing court may allow opposing creditors to present evidence supporting their claim for a period of ten Argentine court days. Pursuant to the APE rules, the reviewing court must issue a ruling on the claims presented within ten Argentine court days of the expiration of the period for the submission of evidence. Our Argentine counsel have advised us that the reviewing court should reject all objections to the APE and approve, or *homologar*, the APE if it finds that the following conditions were satisfied: (a) the legal requirements for the APE are met and (b) a majority of the holders of outstanding debt accounting for at least two-thirds, or any lower percentage that may be required by Argentine law, of the aggregate principal amount, including any accrued interest, of outstanding debt have consented to the APE. 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 suggest that a reviewing court may refuse to approve an APE if it fails to meet certain minimum fairness standards. In addition, case law indicates that the reviewing court has the power to dismiss a petition for the approval of an APE if it finds that that APE contains abusive or legally fraudulent provisions. Although the timeframes for the submission of evidence and the issuance of a ruling on the objections are mandated

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by law, given the recent adoption of the APE procedures, Telecom cannot assure you that the reviewing court will complete all procedural steps strictly in accordance with the timeframe contemplated in the Argentine Bankruptcy Law. See Risk Factors Risks Associated with the APE Solicitation.

In addition, we have been advised by our Argentine counsel that Section 60 of the Argentine Bankruptcy Law, which is applicable to reorganization (*concurso*) proceedings, is also applicable to an APE. This provision of the Argentine Bankruptcy Law allows creditors affected by the APE (holders of affected claims) to file a petition to have an approved APE, or *acuerdo homologado*, declared null and void. Such a cause of action may be based only on (a) willful misrepresentation in the assets and liabilities statement or (b) the creation of illegitimate preferences in favor of certain creditors, which, in either case, is discovered after receiving court approval. A petition to declare an APE null and void must be filed within six months of receiving court approval.

If, subsequent to receiving court approval, our APE were to be declared null and void, we would be placed in liquidation. The rights held by our creditors prior to receiving court approval would be reinstated; *provided, however*, that amounts paid to creditors after receiving court approval in accordance with the terms of the APE would not be clawed back, or *revocados*, to the extent provided for by Section 62(2) of the Argentine Bankruptcy Law. To the extent that any of our creditors is judged to have participated in the fraud that resulted in the APE being declared null and void, those creditors will lose all of their claims against our estate. Although our Argentine counsel have advised us that they are not aware of any precedent of a court in Buenos Aires declaring null and void a reorganization plan approved in a reorganization (*concurso*), we cannot assure you that this will not happen with respect to its APE.

Cramdown of Non-Participating Holders Upon Court Approval

We will not execute the APE unless a majority of the holders of our outstanding debt holding at least two-thirds, or any lower percentage that may be required by Argentine law, of the aggregate amount of principal and accrued interest of our outstanding debt agree to participate in the APE and we obtain the minimum level of creditors consent. Under the Argentine Bankruptcy Law, courts have ruled that creditors opposing a reorganization plan in a reorganization (*concurso*) cannot be put at a disadvantage in relation to those creditors who agreed to the plan on a voluntary basis.

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, non-participating holders will have their outstanding debt allocated into 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. 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 Announcements of Extension, Amendment or Termination.

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

Modifications and Amendments to the APE

During the review period and prior to receiving court approval, we can amend the terms and conditions of the APE with the written consent of participating holders that represent the requisite majorities of the outstanding debt. Such an amendment will be reported to the CNV, the Buenos Aires Stock Exchange and CONSOB. Upon receiving court approval, the terms and conditions of the APE may not be amended.

Our Argentine counsel have advised us that the Argentine Bankruptcy Law does not contemplate the modification or the amendment of the APE by the reviewing court in connection with the court approval. However, our Argentine counsel have advised us that in the context of some reorganization (*concurso*) proceedings, the reviewing court has modified or amended residual options contemplated in the proposed restructuring plan in response to judicial challenges by creditors that did not participate in the process. In most of these cases, the modifications or amendments to the plan consisted of changes to the residual proposals that had been established for the non-participating holders so that they received treatment more closely resembling that afforded to participating holders.

We will publish a notice of any such amendment as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination.

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Termination of the APE Agreement

Termination of the APE Agreement at Our or the Participating Holders Option

Either Telecom or the participating holders representing at least two-thirds of the outstanding debt submitted by participating holders pursuant to the APE may terminate the APE agreement, subject to applicable laws and regulatory requirements, if any of the following events shall have occurred after the execution of the APE and before reviewing court approval:

(a) All governmental and third party approvals necessary in connection with the transactions contemplated hereby, including, without limitation, the Argentine Central Bank s approval of the cash consideration and cash interest payments, the approval of the issuance and delivery of the notes by Telecom s shareholders and all approvals of the CNV, the Buenos Aires Stock Exchange, Mercado Abierto Electrónico S.A., the CONSOB, the Bank of Italy, the Luxembourg Stock Exchange, the *Commission de Surveillance du Secteur Financier* and the SEC necessary for the consummation of the APE have not been obtained or do not continue to be valid and in full force and effect.

(b) An action or event shall have occurred or been threatened (*provided* that the threat is documented), an action shall have been taken, or a statute, rule, regulation, judgment, order, stay, decree or injunction shall have been promulgated, enacted, entered, enforced or deemed applicable to the APE or any of the options, by or before any court or governmental, regulatory or administrative agency, authority or tribunal, including, without limitation, any amendment of the Argentine Bankruptcy Law, that could, directly or indirectly, prohibit or prevent, consummation of the APE, or any of the options; or

(c) There shall have occurred any of the following: (1) any general suspension of or limitation on trading in securities in Argentina, Italy, the United States or other financial markets, including the over-the-counter market, whether or not mandatory, (2) a material impairment in the general trading market for debt securities, (3) a declaration of a banking moratorium in Argentina, Italy, the United States or other major financial markets, whether or not mandatory, (4) a commencement of a war, armed hostilities or other national or international crisis directly or indirectly relating to Argentina, Italy or the United States, (5) any material adverse change in political or economic conditions in Argentina or in securities or financial markets in Argentina, Italy, the United States or other international securities or financial markets generally, (6) a material change in the peso, U.S. dollar, euro or yen currency exchange-rates or a general suspension of or material limitation on the markets therefor or (7) in the case of any of the foregoing existing at the time of the execution of the APE, a material acceleration or worsening thereof, which, in the case of (1) through (6) could materially adversely affect the business, economic or financial condition or revenues of Telecom and its subsidiaries based on conditions as of the date of this solicitation statement.

(d) The trustee with respect to the indenture under which the outstanding notes have been issued and the trustee with respect to the indenture under which the notes will be issued shall have objected in any respect to, or taken any action that could materially adversely affect the consummation of the APE or any of the options, or the trustee shall have taken any action that challenges the validity or effectiveness of the procedures we used in making the APE or any of the options.

(e) We shall have received notice of any regulatory authority that the APE is in violation of the laws of its jurisdiction.

(f) The reviewing court shall have made any modifications to the terms of the restructuring plan (other than with respect to proration and/or allocations of participating and non-participating holders among the options) that are materially adverse to holders of our outstanding debt.

(g) The concurrent or prior consummation of Telecom Personal s debt restructuring has not been completed.

Telecom Personal Restructuring Condition

We may decide, at our own option, to terminate the APE if Telecom Personal has not consummated its restructuring on or before March 1, 2005.

Termination of the APE Agreement Only at the Participating Holders Option

Participating holders representing at least two-thirds of the outstanding debt submitted by participating holders pursuant to the APE may terminate the APE agreement if:

the APE filing date has not occurred within 15 days of the execution of the APE agreement;

the reviewing court has amended the APE agreement (other than with respect to proration and/or allocations of participating and non-participating holders among the options) in such a manner that is materially adverse to the holders of the outstanding debt; or

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Telecom has not obtained reviewing court approval:

- within six months of the APE filing date, if no oppositions to the APE have been filed with the reviewing court; or
- within 18 months of the APE filing date, if any oppositions to the APE have been filed with the reviewing court.

Survival Upon Termination of the APE Agreement

The APE provides that the following provisions will survive termination of the APE:

- the waiver by the participating holders of any rights they may have pursuant to Argentine law or the governing law of the underlying outstanding notes to challenge the legality or the validity of any payments made in the tender offer completed in June 2003 and those made pursuant to this APE solicitation or to bring any action against any of our directors in connection with these payments;
- the acknowledgement of the participating holders that we will have fully performed our obligations under the APE after having made available the notes, cash interest payment and/or cash consideration on the issuance date; and
- the waiver of the participating holders of their rights to bring any action for bankruptcy under Section 63 of the Argentine Bankruptcy Law in the event that we fail to comply with the APE.

If we or the participating holders as provided above withdraw from the APE agreement, except for those provisions described above, then

- the APE will terminate,
- any settlement or compromise embodied in the APE, including the fixing or limiting to an amount of any claim or category (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 application 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 those of any other person in any further proceedings involving us, or
  - constitute an admission of any sort by us or any other person.

Retention of Jurisdiction

The reviewing court will have exclusive jurisdiction under Argentine law over all matters arising out of and relating to the APE under the Argentine Bankruptcy Law. In the event that action is taken to enforce claims against us in the United States, we will consider seeking court protection by filing ancillary proceedings under Section 304 of the United States Bankruptcy Code. See Summary of the Proceedings Involving APE Agreements.

Miscellaneous Provisions

Payment of Court Tax Fees

The Argentine Bankruptcy Law does not specify the amount of the court tax we must pay when we file the APE. The reorganization (*concurso*) rules set a court tax rate of 0.75% of the sum of all the admitted credits, or *créditos verificados*, covered by a plan, *provided, however*, that if the aggregate amount of these claims exceeds P$100 million, the applicable court tax rate for any excess will be 0.25%. We expect to pay this court tax over a period of up to ten years. Under Argentine law, tax authorities can grant entities in reorganization (*concurso*) payment plans of up to 10 years to pay court taxes.

Although there are no express provisions in the Argentine Bankruptcy Law relating to court tax in an APE proceeding, it could be reasonably interpreted that in the event that court approval is challenged, the APE rules, by analogy to the reorganization (*concurso*) rules, would provide that the fees and expenses of advisors will be regulated by the reviewing court based on the amount and type of work performed.

Successors and Assigns

The rights, benefits and obligations of any entity named or referred to in the APE will be binding upon, and will inure to the benefit of, any heir, successor or assign of that entity. Transfer and assignment of the notes will be subject to the provisions of the indenture.

Discharge

All consideration, including but not limited to the notes, cash consideration and cash interest payments, delivered pursuant to the APE will be in exchange for, and in complete satisfaction, settlement, discharge and release of, all affected claims against and interests in us of any nature whatsoever or against any of our assets or properties. Upon the consummation of all the transactions required to be taken by us on the issuance date, our outstanding debt will be deemed to have been fully paid, discharged, and cancelled. Upon the delivery, or the making available, of the notes to holders who elect Option A and Option B, cash consideration to holders who elect Option C and cash interest payments, in accordance with the terms set forth in the APE, the restructuring plan approved in the APE will be deemed to have been complied with fully and all obligations thereunder discharged fully. We will request the reviewing court to confirm this compliance.

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Binding Effect

The APE will be binding upon and inure to our benefit, all present and former holders of affected claims against and interests in us, and their respective successors and assigns, including, but not limited to, all parties in interest in the APE.

Indemnification Obligations

Except as otherwise specifically limited in the APE, any obligations or rights of ours to defend, indemnify, reimburse or limit the liability of our present and former directors, officers, or employees pursuant to our certificate of incorporation, bylaws, policy of providing employee indemnifications, applicable Argentine law, or specific agreement in respect of any claims, demands, suits, causes of action, or proceedings against any directors, officers, or employees based upon any act or omission related to any present and former directors , officers , or employees service with, for, or on behalf of us prior to the APE filing date, will survive the court approval and remain unaffected thereby, and will not be discharged, irrespective of whether that defense, indemnification, reimbursement, or limitation of liability is owed in connection with an occurrence before or after the date of the court approval.

Term of Injunction or Stays

Upon the filing of the APE and provided that we comply with certain formal requirements set forth under the Argentine Bankruptcy Law, all legal proceedings in respect of the affected claims against us will be stayed. The Argentine Bankruptcy Law does not provide complete rules relating to stays in the context of an APE. Our Argentine counsel have advised us, however, that the rules governing stays in the context of a reorganization (*concurso*) may also be construed to apply to an APE. As a result, our Argentine counsel have advised us that in a proceeding involving APE agreements:

(a) other than claims brought by creditors opposing the proceeding involving APE agreements itself, holders of affected claims cannot bring causes of actions based on affected claims acquired prior to the APE filing date;

(b) any legal proceedings mentioned in clause (a) above that were in progress at the time of the APE filing are stayed; and

(c) the filing of the APE neither stays nor prevents foreclosure proceedings brought by holders of secured claims.

As to the power of the reviewing court to order the stay of foreclosure proceedings and injunctions, our Argentine counsel have advised us that it is possible to file a petition to vacate or remove injunctions and provisional remedies sought by unsecured creditors, but not those sought by secured creditors.

The impact of an APE solicitation on a pending bankruptcy petition is not clearly defined in the Argentine Bankruptcy Law. Our Argentine counsel have advised us that, in their opinion, the filing of an APE stays any pending bankruptcy proceedings.

Reservation of Rights

If court approval is not granted, or if the APE is granted court approval and the transactions contemplated by the APE are not consummated, the rights of ours and of all other signatories to the APE are and will be reserved in full. Except for those waivers specified in the provisions of the APE that survive the termination of the APE, as described above under Termination and Survival, any concessions or settlements reflected in the APE, if any, are made for purposes of the APE only, and if the APE is not granted court approval, neither us nor any other signatory to the APE will be bound or deemed to be prejudiced by any concession or settlement.

Governing Law

Argentine law will govern all aspects of the APE, including its required form and content, the application and approval process, and the effect of its approval by final judicial order on our outstanding debt. Argentine law will also govern corporate governance matters with respect to us.

The Negotiable Obligations Law will govern the requirements for the notes to qualify as *obligaciones negociables*, while this law, together with the Argentine Companies law and other applicable Argentine laws and regulations will govern our capacity and corporate authorization to execute and deliver the notes and the public offering of the listed notes in Argentina. All other matters with respect to the notes will be governed by and construed in accordance with the laws of the State of New York, United States.

Procedural Matters

Execution of the APE

The APE filing must be signed by our legal representative or attorney-in-fact, with prior authorization by our Board of Directors. We intend to obtain our shareholders approval of the APE promptly after we file the APE. Our Board of Directors authorization and shareholders ratification will cover both the filing of the APE and the execution of any document relating to the implementation of the transactions contemplated in the APE.

Consents Required for Consummation of the APE

No consent, approval, or filing with, any governmental agency or regulatory body or any court is required for the consummation of the transactions contemplated by the APE except (a) the reviewing court approval, (b) the approvals for the public offer of the notes by the CNV in Argentina, the CONSOB in Italy, the Luxembourg Stock Exchange and the SEC in United States, (c) the registration to trade each of the listed notes by the Buenos Aires Stock Exchange and the Argentine Electronic Trading Market, (d) the Central Bank in connection with the foreign exchange regulations that may be applicable to the APE and (e) our shareholders approval in connection with the issuance and delivery of the notes. We will also apply to have the listed notes listed on the Luxembourg Stock Exchange.

The Proceeding Involving Our APE

Once we file the APE with the reviewing court, the reviewing court will commence the proceeding involving our APE. Upon the commencement of the proceeding involving our APE, we must publicly announce this APE solicitation to our creditors through publication, for five Argentine court days, in the Official Gazette, or *publicación de edictos*, and in a newspaper of major circulation in Argentina and those jurisdictions in which we have business establishments or engage in business operation.

Creditors may contest the APE for a ten Argentine court period following the last publication of the announcement. Creditors may contest an APE solely on the following grounds: (a) misrepresentation by the debtor of its assets or liabilities in the assets and liabilities statement filed with the reviewing court, or (b) failure of the debtor to obtain the support of the requisite majorities. 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 the reviewing court may refuse to approve an APE if it fails to meet certain minimum fairness standards. In the event objections are raised, the reviewing court may admit evidence for a period of ten Argentine court days. The reviewing court is then required to rule on the objections raised within the following ten Argentine court days. The ruling of the reviewing court may be appealed. If the appeal is filed by a creditor opposed to the APE, the reviewing court may not stay the court approval pending resolution of the appeal.

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 reorganization (*concurso*), 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). Thus, each series of notes would be deemed to be held by two creditors in the per capita majority. On the assumption that the settlement agent will not receive powers of attorney to execute the consent to the APE, or even responses to this APE solicitation, from all of the holders of our outstanding notes, we expect that the number of noteholders in favor of the APE will be equal to the number of noteholders opposed to the APE. Each of the holders of our outstanding loans will be treated as a separate creditor. The precedent analysis is based on the assumption that the reviewing court will apply the rules of a reorganization (*concurso*) to the calculation of the requisite noteholders and we cannot assure you that this will be the case. If the reviewing court applies other rules to the calculation of the requisite noteholders, the outcome may be different as discussed above under Cramdown of Non-Participating Holders Upon Court Approval.

Events Likely to Occur Following Court Approval of the APE

Upon our receiving court approval, all holders of outstanding debt will be bound by the terms and conditions of the APE whether or not they have filed independent claims. Upon consummation of the APE, we may file a petition for a ruling declaring that the APE has been performed. For this purpose, we will need to file evidence of the performance of the APE. That evidence would consist of evidence from the trustee under the indenture as to the issuance and delivery of the notes, the cash consideration and cash interest payments.

Court Failure to Approve the APE

Our Argentine counsel have advised us that, if the APE is not granted court approval, it is unlikely that the court will commence bankruptcy proceedings against us because the APE rules do not provide for this. In addition, reorganization (*concurso*) proceedings against us are available exclusively to the debtor.

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If our APE is not granted court approval, there is a substantial likelihood that we will have to commence reorganization (*concurso*) proceedings. If this petition is made within one year of the dismissal of our APE, there is a possibility that an argument could be made that the reviewing court with which we have filed the APE will reject the filing if there are bankruptcy proceedings against us pending the decision of an Argentine court. If our APE is not granted court approval, we may try another APE solicitation. As in the case of a reorganization (*concurso*), if this petition is made within one year of the dismissal of our first APE, the reviewing court may require that no bankruptcy proceedings be pending against us at the time of the filing of the second APE. If we decide to commence a reorganization (*concurso*) proceeding or to file a new APE, the reviewing court that will hear our petition will be the same one that dismissed our first APE.

We will publish a notice as set forth in The APE Solicitation Announcements of Extension, Amendment or Termination. if our APE is not granted court approval.

Anticipated Timeline for the APE

Our Argentine counsel estimate that the period of time from the APE filing date to receiving court approval could last between three and four months if non-participating holders do not file any objections to the APE and between four to five months if objections are filed. In addition, these time periods could be extended in the event that, among others, the reviewing court rejects the objection of a creditor that is opposed to the APE and this rejection is appealed or the court approval is stayed in the case of an appeal of the court approval. However, these time periods are merely estimates. Because there is no precedent of APE approvals that are applicable or comparable to our APE in Argentina, the anticipated timetable for the APE cannot be confirmed or determined with any certainty. We cannot assure you that the APE approval process will proceed expeditiously.

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DESCRIPTION OF THE NOTES

The following summary of the material provisions of the notes does not purport to be complete and is subject to and qualified in its entirety by reference to the indenture and the notes. As used in this section, unless otherwise specified, the term Telecom refers to the Company on an unconsolidated basis and the term the Company refers to Telecom and its subsidiaries on a consolidated basis. Capitalized terms not otherwise defined herein shall have the meanings given to them in the indenture. Certain terms are defined as set forth below under Certain Definitions. A copy of the form of indenture will be available for inspection at the offices of Telecom and of the Information Agent during normal business hours until completion of the APE.

General Overview

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 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 the Series B Notes. We will issue up to two series of listed notes (Series A listed notes and Series B listed notes) and up to two series of unlisted notes (Series A unlisted notes and Series B unlisted notes), and each is referred to as a series of notes. We refer to the Series A Notes and the Series B Notes together as the notes.

The Series A Notes may be issued in one or more tranches 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, in the event that such currency is no longer in circulation, in such funds as may then be customary for the settlement of international transactions in lieu of such currency.

Each series of the notes is to be issued under an indenture dated as of the issuance date between Telecom and The Bank of New York, as trustee, which we refer to as the indenture. The notes will be issued by Telecom and Telecom will be liable therefor and obligated to perform all covenants and agreements to be performed by Telecom pursuant to the notes and the indenture, including the obligations to pay principal, interest and Additional Amounts (as defined below), if any. The trustee under the indenture is The Bank of New York (the Trustee, which term shall include any successor as Trustee under the indenture). Initially, the Trustee will act as principal paying agent (the Principal Paying Agent, together with its successors and assigns and any additional qualified paying agents, collectively, the Paying Agents), transfer agent (the Transfer Agent, together with its successors and assigns and any additional qualified transfer agents, collectively, the Transfer Agents), calculation agent (the Calculation Agent, together with its successors and assigns, and any additional qualified calculation agents, collectively, the Calculation Agents) and registrar (the Registrar, and together with its respective successors and assigns and any additional qualified registrars, collectively, the Registrars). The respective terms of the notes include those stated in the indenture and those made part of each indenture by reference to the Trust Indenture Act of 1939, as amended, which we refer to as the Trust Indenture Act. The notes are subject to all such terms, and you are referred to the indenture and the Trust Indenture Act for a statement thereof.

The notes will be negotiable obligations (*obligaciones negociables*) under, and will be issued pursuant to and in compliance with all the requirements of the Argentine Negotiable Obligations Law, Law No. 23,576, as amended (the Negotiable Obligations Law) and other applicable Argentine regulations. The listed notes will be authorized for public offering in Argentina by the CNV. Telecom may, but is not required to, apply to the CNV for public offering approval of the unlisted notes.

Basic Terms of the Notes

The Series A Notes:

- will have an original aggregate principal amount of up to US$2,701 million (or its equivalent in other currencies);

will provide that principal will be due and payable in semiannual installments commencing on October 15, 2004 as shown in the amortization table below (adjusted to take into account any prepayments or repurchases), together with accrued and unpaid interest, if any, to the redemption date:

Scheduled Payment Date	Percentage of Original Principal Amount Payable
October 15, 2004	3.20%
April 15, 2005	2.80%
October 15, 2005	2.80%
April 15, 2006	2.40%
October 15, 2006	2.40%
April 15, 2007	0.80%
October 15, 2007	0.80%
April 15, 2008	0.40%
October 15, 2008	0.40%
April 15, 2009	7.14%
October 15, 2009	7.14%
April 15, 2010	7.14%
October 15, 2010	7.14%
April 15, 2011	7.14%
October 15, 2011	7.14%
April 15, 2012	7.14%
October 15, 2012	