

TELECOM ARGENTINA SA  
Form F-4  
May 17, 2017  
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As filed with the U.S. Securities and Exchange Commission on May 16, 2017.

Registration Statement No. 333-

# U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM F-4

Registration Statement Under  
the Securities Act of 1933

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## TELECOM ARGENTINA S.A.

(Exact Name of Registrant as Specified in its Charter)

**Telecom Argentina S.A.**

(Translation of Registrant's Name into English)

**Argentina**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**4813**  
(Primary Standard Industrial  
Classification Code Number)

**Not Applicable**  
(I.R.S. Employer  
Identification No.)

**Alicia Moreau de Justo, No. 50  
C1107AAB, City of Buenos Aires**

**Argentina**  
**Telephone: (54-11) 4968-4000**  
(Address and telephone number of Registrant's principal executive offices)

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**Puglisi & Associates**  
**850 Library Avenue, Suite 204**  
**Newark, Delaware 19711**  
**Telephone: (302) 738-6680**

(Name, Address, and Telephone Number of Agent for Service)

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Copies to:

**Adam J. Brenneman, Esq.**

**Emilio Minvielle, Esq.**  
**Cleary Gottlieb Steen & Hamilton LLP**  
**One Liberty Plaza**  
**New York, New York 10006**  
**(212) 225-2000**

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

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, 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 of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross Border Issuer Tender Offer)   
Exchange Act Rule 14d-1(d) (Cross Border Third-Party Tender Offer)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company   
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount of Securities to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Class B Ordinary Shares, nominal value Ps.1.00 per share, of Telecom Argentina S.A.(4)	197,871,855	Not applicable	U.S.\$813,455,706	U.S.\$94,279.52

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(1) Represents the maximum number of Class B Ordinary Shares, nominal value Ps.1.00 per share, of Telecom Argentina S.A. that will be distributed by Nortel Inversora S.A. in connection with the reorganization contemplated herein in exchange for outstanding shares of Series B Preferred Shares, nominal value Ps.10.00 per share, of Nortel Inversora S.A.

(2) Estimated solely for the purpose of calculating the registration fee computed pursuant to Rule 457(f)(1), the proposed maximum aggregate offering price is equal to the product of (x) U.S.\$ 27.66, the average of the high and low market prices of the American Depositary Shares ( ADSs ) representing rights to Series B Preferred Shares of Nortel Inversora S.A. as of May 10, 2017 and (y) 29,409,100, the total number of ADSs representing rights to Series B Preferred Shares of Nortel Inversora S.A. eligible to be exchanged in the reorganization (as of May 10, 2017).

(3) Computed in accordance with Rule 457(f) under the Securities Act as the proposed maximum offering price of U.S.\$ 813,455,706 *multiplied by* 0.0001159.

(4) ADSs representing rights to Class B Ordinary Shares of Telecom Argentina S.A. registered hereby are registered pursuant to a separate Registration Statement on Form F-6 (File No. 333-201061).

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective time 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, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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*The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission, in which this prospectus is included, is declared effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale of these securities is not permitted. The Reorganization contemplated herein has not yet been authorized by the Argentine National Securities Commission .*

**SUBJECT TO COMPLETION, DATED MAY 16, 2017**

**NORTEL INVERSORA S.A.**

**To the Shareholders of Series B Preferred Shares and American Depositary Share ( ADS ) Holders of Nortel Inversora S.A.:**

This document sets forth information that is relevant for holders of Series B Preferred Shares, par value of Ps.10.00 per share (the Nortel Preferred Shares ) of Nortel Inversora S.A. (Nortel ) who are eligible and wish to attend the special meeting of holders of Nortel Preferred Shares to be held on \_\_\_\_\_, 2017, at Alicia Moreau de Justo 50, Buenos Aires (such meeting, the Nortel Preferred Special Meeting ). The Nortel Preferred Special Meeting will be convened to consider and approve (1) the absorption of Nortel by Telecom Argentina S.A., a company organized under the laws of the Republic of Argentina and controlled by Nortel ( Telecom ) (such transaction, the Nortel Reorganization ), (2) the loss of preferential rights of the Nortel Preferred Shares in connection with the Nortel Reorganization and (3) the deletion of Section 9 from the terms of issuance governing the Nortel Preferred Shares, as described herein.

Concurrently with the Nortel Reorganization, Telecom has also agreed to absorb Sofora Telecomunicaciones S.A., a company organized under the laws of the Republic of Argentina and the parent company of Nortel ( Sofora ) and Telecom Personal S. A., a company organized under the laws of the Republic of Argentina and 100% owned by Telecom Argentina S.A. ( Personal, and together with Nortel and Sofora, the Absorbed Companies, and together with Telecom, the Participating Companies ), such that Telecom continues as the surviving company still to be known as Telecom Argentina S.A. (such reorganization, the Reorganization ).

Under the preliminary reorganization agreement (*Compromiso Previo de Fusión*, or the Preliminary Reorganization Agreement ), dated March 31, 2017, Nortel has, subject to the approval by holders at the Nortel Preferred Special Meeting and to certain other conditions described herein, including approval by the holders of common stock of Nortel and receipt of certain regulatory approvals, agreed to (i) the dissolution of Nortel, (ii) the conversion of up to 161,039,447 Telecom Class A Ordinary Shares, par value Ps.1.00 ( Telecom Class A Shares ), held by Nortel into Telecom Class B Ordinary Shares, par value Ps.1.00 and entitled to one vote per share ( Telecom Class B Shares ) at a 1:1 ratio, (iii) the distribution by Nortel of its Telecom Class B Shares (including Telecom Class B Shares issued upon conversion of Telecom Class A Shares), to holders of Nortel Preferred Shares, at a rate of 134.565053 Telecom Class B Shares for each Nortel Preferred Share (such rate, the Preferred B Share Distribution Ratio ) (or 1.34565053 ADSs of Telecom, each representing the rights to five Telecom Class B Shares (each, a Telecom ADS ), for each ADS of Nortel, each representing the rights to 1/20th of a Nortel Preferred Share, (each, a Nortel ADS ); such rate, the ADS Distribution Ratio ), (iv) the distribution by Nortel of its remaining 340,994,852 Telecom Class A Shares to the holders of the common stock of Sofora, at a rate of 1.14046108 Telecom Class A Shares for each common share of Sofora ( Sofora Common Shares ) (the Ordinary Distribution Ratio ) and (v) the cancellation of all issued Nortel Preferred Shares, Nortel ADSs and shares of Nortel s common stock, par value Ps.10.00 ( Nortel Common Shares, and together with the Nortel Preferred Shares, Nortel Shares ). For further information on the terms and conditions of the Reorganization, see The Reorganization in this prospectus.

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Nortel Preferred Shares generally do not have voting rights. However, in the case of the Nortel Reorganization, (i) the Nortel Reorganization must be approved by holders representing at least two-thirds of the outstanding Nortel Preferred Shares in accordance with Section 9(i) of the terms of issuance of the Nortel Preferred Shares, and (ii) holders representing more than 50% of the Nortel Preferred Shares present at the Nortel Preferred Special Meeting must approve the loss of preferential rights of the Nortel Preferred Shares. The Nortel Preferred Shares will lose their preferential rights because the holders of Nortel Preferred Shares will receive Telecom Class B Shares with voting rights but no economic preferential rights as a result of the Nortel Reorganization. In addition,

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holders representing at least two-thirds of the outstanding Nortel Preferred Shares are required to approve the deletion of Section 9 from the terms of issuance of the Nortel Preferred Shares.

As of the date of this prospectus, Nortel owns 36,832,408 Telecom Class B Shares and 502,034,299 Class A Ordinary Shares, par value Ps.1.00, of Telecom ( Telecom Class A Shares and together with Telecom Class B Shares and the Telecom ADSs, Telecom Securities ). Based on the number of Nortel Preferred Shares issued and outstanding on the date hereof, Nortel expects that (i) holders of Nortel Preferred Shares and the Nortel ADSs will receive a total of 197,871,855 Telecom Class B Shares (directly or in the form of Telecom ADSs), representing approximately 20.42% of the total outstanding capital stock of Telecom and (ii) holders of the common stock of Sofora will receive Nortel's remaining 340,994,852 Telecom Class A Shares, representing approximately 35.18% of the total outstanding capital stock of Telecom. As a result of the Reorganization, all Nortel Shares and Nortel ADSs (together, Nortel Securities ) will be cancelled.

All Telecom Class B Shares outstanding at the effective time of the Reorganization will remain outstanding following effectiveness of the Reorganization. No additional distribution or consideration in cash or in kind will be made or paid by Nortel or Telecom to the shareholders of Nortel in connection with the Reorganization or Nortel's distribution of Telecom Class B Shares (other than as a result of the conversion of Telecom Class A Shares into Telecom Class B Shares).

The Telecom Class B Shares and the Nortel Preferred Shares are listed on Bolsas y Mercados Argentinos S.A., or BYMA, the successor entity to Mercado de Valores de Buenos Aires S.A. or MERVAL . The Nortel ADSs and the Telecom ADSs are listed on the New York Stock Exchange ( NYSE ) under the symbol NTL and TEO, respectively, and in addition, Nortel ADSs are listed on the Luxembourg Stock Exchange.

The Participating Companies currently expect that the Reorganization will become effective as of the date (the Reorganization Effectiveness Date ) on which each of the following conditions will have been satisfied: (i) approval of the Reorganization on the terms and conditions set forth in the Preliminary Reorganization Agreement by the shareholders of the Participating Companies at each of their respective general shareholders meetings in the case of Telecom, Personal, Nortel and Sofora and at the Nortel Preferred Special Meeting and Nortel Common Special Meeting in the case of Nortel, (ii) Telecom has prepared its technical and operational systems with the capacity to absorb the operations of Personal, Nortel and Sofora, (iii) the execution of a definitive reorganization agreement (the Final Reorganization Agreement ), as required under Argentine law; (iv) the receipt of the authorization from ENACOM (*Ente Nacional de Comunicaciones*) in connection with the amortization of Sofora Common Shares representing 15.0% of Sofora's outstanding capital stock (the ENACOM Amortization Authorization ); (v) the receipt of the authorization from ENACOM to dissolve Nortel and to convert Telecom Class A Shares into Telecom Class B shares for distribution to the holders of Nortel Preferred Shares (the ENACOM Nortel Authorization ); (vi) the receipt of the authorization from ENACOM for the transfer of all telecommunications licenses held by Personal, and required for the use of wireless spectrum in Personal's operations, from Personal to Telecom (the ENACOM Licenses Authorization, and, together with the ENACOM Amortization Authorization and the ENACOM Nortel Authorization, the ENACOM Authorizations ) and (vii) the amortization in full of 140,704,640 Sofora Common Shares, representing 32.0% of Sofora's outstanding capital stock (see *The Reorganization Effects of the Reorganization Sofora's Bono de Goce* in this prospectus). In addition, the Participating Companies currently expect that the Reorganization will be completed as of the date (the Reorganization Completion Date ) on which each of the following corporate and administrative procedures is satisfied: (i) the receipt of an administrative consent (*conformidad administrativa*) from the CNV with respect to the Reorganization, (ii) the registration of the Final Reorganization Agreement with the Public Registry of the City of Buenos Aires (*Inspección General de Justicia*) and (iii) any other authorizations that may be necessary from any other governmental or regulatory entities to consummate the Reorganization.

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The Board of Directors of Nortel has carefully reviewed and considered the terms and conditions of the Preliminary Reorganization Agreement. **The Board of Directors of Nortel has recommended that the holders of Nortel Securities vote FOR the Reorganization as contemplated by the Preliminary Reorganization Agreement.**

The accompanying disclosure documents (including the Preliminary Reorganization Agreement, included as Annex A to this prospectus) contain detailed information about the Reorganization. **This is not a proxy**

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**statement. We are not asking you for a proxy and you are not requested to send us a proxy. If you are a holder of Nortel ADSs, you will be contacted by the depositary for your ADSs with further instructions on how you can instruct such depositary to vote the shares underlying your ADSs. We encourage Nortel shareholders to read this prospectus carefully before voting, including the section entitled Risk Factors beginning on page 23.**

By the order of the Nortel Board of Directors,

/s/Baruki Luis Alberto González  
Baruki Luis Alberto González

*Chairman of the Board of Directors*

**Neither the U.S. Securities and Exchange Commission (the SEC ) nor any state securities commission has approved or disapproved of the securities to be distributed under this prospectus or determined if this prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. Telecom Class B Shares to be distributed as a result of the Reorganization may not be delivered and sold unless and until the Reorganization Effectiveness Date occurs and the deposit of the relevant Telecom Class B Shares is made to each of the corresponding accounts. The Argentine reorganization prospectus is in a different format than this prospectus in accordance with Argentine National Securities Commission (*Comisión Nacional de Valores*, or the CNV ) regulations.**

This prospectus is dated \_\_\_\_\_, 2017 and is first being mailed to Nortel shareholders on or about \_\_\_\_\_, 2017.

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In this prospectus, unless the context otherwise requires, we use the terms we, us, our and the Company to refer to Nortel.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

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

- our expectations for our and Telecom's future performance, revenues, income, earnings per share, dividends, liquidity and capital structure;
- the synergies expected from the Reorganization;
- the implementation of our and Telecom's business strategy;
- the effects of operating in a competitive environment;
- industry conditions;
- regulatory and legal developments; and
- other factors identified or discussed under Item 3. Key Information. Risk Factors in the Telecom 2016 Form 20-F and in the Nortel 2016 Form 20-F (as defined below).

This prospectus contains certain forward-looking statements and information relating to us and Telecom that are based on current expectations, estimates and projections of Telecom's and Nortel's management and information currently available to Telecom. These statements include, but are not limited to, statements made in any reports on Form 6-K or annual reports on Form 20-F that may be incorporated in this prospectus by reference or a prospectus supplement. In each of the 2016 Nortel Form 20-F and the 2016 Telecom Form 20-F, these statements include, but are not limited to, statements made in Item 3 Key Information Risk Factors, Item 5 Operating and Financial Review and Prospects under the captions Critical Accounting Policies and Trend Information, Item 8 Financial Information Legal Proceedings and other statements about Nortel and Telecom's strategies, plans, objectives, expectations, intentions, capital expenditures and assumptions and other statements contained that are not historical facts. When used in this document, the words anticipate, believe, estimate, expect, intend, plan, project, will, may and other similar expressions are generally intended to identify forward-looking statements.

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These statements reflect the current views of the management of Telecom and Nortel with respect to future events. They are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. In addition, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Many factors could cause actual results, performance or achievements of Telecom to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, among others:

- our and Telecom's ability to successfully implement our and Telecom's business strategy;
  - the challenges in integrating the operations of the Absorbed Companies and Telecom;
  - Telecom's ability to introduce new products and services that enable business growth;
  - uncertainties relating to political and economic conditions in Argentina and Paraguay;
  - inflation, the devaluation of the peso and of the Guaraní and exchange rate risks in Argentina and Paraguay;
  - restrictions on the ability to exchange pesos into foreign currencies and transfer funds abroad;
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- the way the Argentine government regulates Law No. 27,078, the Argentina Digital Law or LAD, as amended by Decree No. 267/15, Decree No. 1340/16, as well as the impact of the announced new project, the Telecommunications Law, which has not yet been sent to Congress;
- the creditworthiness of Telecom's actual or potential customers;
- nationalization, expropriation and/or increased government intervention in companies;
- technological changes;
- the impact of legal, corporate or regulatory matters, changes in the interpretation of current or future regulations or reform and changes in the legal or regulatory environment in which we and Telecom operate; and
- the effects of increased competition.

Many of these factors are macroeconomic and regulatory in nature and therefore beyond the control of Telecom's management. Should one or more of these risks or uncertainties materialize, or underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected. The Company does not intend and does not assume any obligation to update the forward-looking statements contained in this prospectus.

These forward-looking statements are based upon a number of assumptions and other important factors that could cause our and Telecom's actual results, performance or achievements to differ materially from our and Telecom's future results, performance or achievements expressed or implied by such forward-looking statements. Readers are encouraged to consult any report on Form 6-K or the annual reports on Form 20-F of Nortel and Telecom that may be incorporated in this prospectus by reference or a prospectus supplement.

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**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

This prospectus incorporates important business and financial information about us and Telecom that is not included in or delivered with the prospectus. The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and certain later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

- Telecom's annual report on Form 20-F for the year ended December 31, 2016, filed with the SEC on April 26, 2017 (SEC File No. 001-13464), which we refer to as the Telecom 2016 Form 20-F ;
- any of Telecom's future annual reports on Form 20-F filed with the SEC after the date of this prospectus and prior to the consummation of the Reorganization;
- any of Telecom's future reports on Form 6-K furnished to the SEC after the date of this prospectus and prior to the consummation of the Reorganization that are identified in such reports as being incorporated by reference in this prospectus;
- our annual report on Form 20-F for the year ended December 31, 2016, filed with the SEC on April 26, 2017 (SEC File No. 001-14270), which we refer to as the Nortel 2016 Form 20-F ;
- any of our future annual reports on Form 20-F filed with the SEC after the date of this prospectus and prior to the consummation of the Reorganization; and
- any of our future reports on Form 6-K furnished to the SEC after the date of this prospectus and prior to the consummation of the Reorganization that are identified in such reports as being incorporated by reference in this prospectus.

Any statement contained in the Telecom 2016 Form 20-F and the Nortel 2016 Form 20-F shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

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This prospectus incorporates by reference important business and financial information about Telecom and Nortel that is contained in their respective filings with the SEC but that is not included in, or delivered with, this prospectus. This information is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and from other sources. You may request a copy of any and all of the information that has been incorporated by reference in this prospectus and that has not been delivered with this prospectus, at no cost, by writing or telephoning Telecom at Alicia Moreau de Justo 50, City of Buenos Aires, Argentina (C1107AAB), Attention: Solange Barthe Dennin, telephone + (54-11) 4968-3628 and Nortel at Alicia Moreau de Justo 50, City of Buenos Aires, Argentina (C1107AAB), Attention: Maria Blanco Salgado, telephone + (5411) 4968-3631.

**In order for you to receive timely delivery of the documents in advance of the Nortel Preferred Special Meeting, Nortel should receive your request no later than five business days prior to the Nortel Preferred Special Meeting.**

Neither Nortel nor Telecom has authorized anyone to give any information or make any representation about the Reorganization or their companies that is different from, or in addition to, that contained in this prospectus or in any of the materials that have been incorporated by reference into this prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this prospectus or the solicitation of proxies pursuant to this prospectus is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you. The information contained in this prospectus is accurate only as of the date of this prospectus unless the information specifically indicates that another date applies.

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**WHERE YOU CAN FIND MORE INFORMATION**

This prospectus is part of a registration statement, including exhibits, of the Telecom Class B Shares that has been filed with the SEC on Form F-4 under the Securities Act. This prospectus does not contain all of the information set forth in the registration statement. Statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete. Certain of these documents have been filed as exhibits to Telecom's registration statement, and we refer you to those documents. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit.

Telecom is a foreign private issuer as defined under Rule 405 of the Securities Act. As a result, although Telecom is subject to the informational requirements of the U.S. Securities Act of 1933, as amended (the Exchange Act) as a foreign private issuer, Telecom is exempt from certain informational requirements of the Exchange Act which domestic issuers are subject to, including the proxy rules under Section 14 of the Exchange Act, the insider reporting and short-profit provisions under Section 16 of the Exchange Act and the requirement to file current reports on Form 8-K upon the occurrence of certain material events. Telecom is also subject to the informational requirements of the BYMA and the CNV. You are invited to read and copy reports, statements or other information, other than confidential filings, that Telecom has filed with the BYMA and the CNV. Telecom's public filings with the CNV are electronically available from the CNV's Internet site at [www.cnv.gob.ar](http://www.cnv.gob.ar). Information contained on this website is not part of this prospectus or any accompanying prospectus supplement.

Telecom files or furnishes reports, including annual reports on Form 20-F and reports on Form 6-K, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings Telecom makes electronically will be available to the public over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov). You may also inspect the information that Telecom files with the SEC at the New York Stock Exchange, Inc., at 11 Wall Street, New York, New York 10005. You may also access the SEC filings and obtain other information about Telecom through the website it maintains, which is [www.telecom.com.ar](http://www.telecom.com.ar). The information contained in that website is not incorporated by reference into this prospectus.

**ABOUT THIS DOCUMENT**

This prospectus, which forms part of a registration statement on Form F-4 (the Reorganization Form F-4) filed with the SEC by Telecom (File No. 333- ), constitutes a prospectus of Telecom under Section 5 of the Securities Act with respect to the Telecom Class B Shares to be distributed to holders of Nortel Preferred Shares as contemplated under the Preliminary Reorganization Agreement.

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From April 1, 1991 until the end of 2001, the Convertibility Law established a fixed exchange rate under which the Central Bank of Argentina (*Banco Central de la República Argentina*, or the Central Bank ) was obliged to sell U.S. Dollars at a fixed rate of one Peso per U.S. Dollar (the Convertibility Regime ). On January 6, 2002, the Argentine Congress enacted the Public Emergency Law No. 25,561 (the Public Emergency Law ), formally putting an end to the Convertibility Regime and abandoning over ten years of U.S. Dollar-Peso parity. 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 and to issue regulations related to the foreign exchange market. The Public Emergency Law has been extended until December 31, 2017. For a brief period following the end of the Convertibility Regime, the Public Emergency Law established a temporary dual exchange rate system. Since February 2002, the Peso has been allowed to float freely against other currencies, although the government has the power to intervene by buying and selling foreign currency for its own account, a practice in which it may engage on a regular basis.

After several years of moderate variations in the nominal exchange rate, the Peso lost more than 30% of its value with respect to the U.S. Dollar in each of 2013 and 2014, and in 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar, including a depreciation of approximately 34% mainly experienced after December 17, 2015 following the announcement of the lifting of a significant portion of exchange restrictions. During 2016, the nominal exchange rate experienced moderate variations. This was followed by an appreciation of the Peso with respect to the U.S. Dollar of approximately 3.02% from January 1, 2017 through May 12, 2017. There can be no assurance that the Argentine Peso will not depreciate or appreciate again in the future.

The following table sets forth the high, low, average and period-end exchange rates for the periods indicated, expressed in pesos per U.S. dollar and not adjusted for inflation. There can be no assurance that the peso will not depreciate or appreciate again in the future. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

Period	Exchange Rates (in pesos per U.S. dollar)			Period End(1)
	High(1)	Low(1)	Average(1)(2)	
2012	4.92	4.30	4.55	4.92
2013	6.52	4.98	5.55	6.52
2014	8.55	7.87	8.23	8.55
2015	13.04	8.64	9.45	13.04
2016	15.89	13.96	14.99	15.89
2016:				
October	15.23	15.07	15.17	15.15
November	15.87	14.92	15.35	15.87
December	16.03	15.50	15.84	15.89
2017:				
January	16.08	15.81	15.91	15.90
February	15.80	15.36	15.59	15.48
March	15.65	15.39	15.52	15.39
April	15.49	15.19	15.36	15.40
May (through May 12)	15.53	15.29	15.41	15.44

(1) Reference exchange rate (ask price) published by the National Bank of Argentina (*Banco de la Nación Argentina*, or Banco Nación ).



- (2) Yearly data reflect average of month end rates; monthly data reflect average of daily rates.

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Fluctuations in the exchange rate between the peso and the U.S. dollar affect the U.S. dollar equivalent of the peso price of the Telecom Class B Shares and the Nortel Preferred Shares on the BYMA and may also indirectly affect the market price of the Telecom ADSs and the Nortel ADSs.

This prospectus contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the nominal peso or constant peso amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

References herein to pesos or Ps. are to Argentine pesos, and references to U.S. dollars or U.S.\$ are to United States dollars.

For purposes of the exchange, a business day means any day on which the principal offices of the SEC are open to accept filings and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

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**EXCHANGE CONTROLS**

In January 2002, with the approval of the Public Emergency Law, Argentina declared a public emergency situation in its social, economic, administrative, financial and foreign exchange matters and authorized the Argentine Executive Branch to establish a system to determine the foreign exchange rate between the peso and foreign currencies and to issue foreign exchange-related rules and regulations. Within this context, on February 8, 2002, through Decree No. 260/2002, the Argentine Executive Branch established (i) a single and free-floating foreign exchange market through which all foreign exchange transactions in foreign currency must be conducted and (ii) that foreign exchange transactions in foreign currency must be conducted at the foreign exchange rate to be freely agreed upon among contracting parties, subject to the requirements and regulations imposed by the Central Bank.

The following is a description of the main aspects of Central Bank regulations concerning outflows of funds from Argentina.

**Outflow of Capital**

*Payment of Profits (Earnings and Dividends)*

No limitations are imposed to access the foreign exchange market to pay earnings and dividends. Access to the foreign exchange market for this purpose requires the presentation of an affidavit declaring compliance with the reporting regimes established by Communication A 3602 (dated May 7, 2002, as amended and supplemented) and Communication A 4237 (dated November 10, 2004, as amended and supplemented), as applicable.

Notwithstanding the above, as of December 31, 2016, pursuant to General Resolution No. 3,417/12, as amended, of the AFIP, Argentine residents who accessed the foreign exchange market to pay dividends and interests abroad (among other items), were obliged to previously inform in advance the payment of interests through the AFIP's website and obtain an Advanced Sworn Statement of Payments made Abroad (*Declaración Jurada de Pagos al Exterior*). However, on March 6, 2017, this resolution was abrogated by General Resolution AFIP 4008/17.

Non-residents have access to the foreign exchange market for payment of, among others, services, earnings and current transfers collected in Argentina according to the specific regulations that apply to non-residents to access the foreign exchange market.

**Other Regulations**

*Transactions by non-residents*

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In December 2015, the Argentine government implemented a series of measures to deregulate and implement more flexible rules regarding foreign exchange controls. Communications A 5850, A 5861, A 5899, A 6037, A 6058, A 6067, A 6137, A 6150 and A 6174, in amended, were implemented along with certain other reforms and collectively referred hereto as the New Regulations. The New Regulations sets forth the regulations applicable to access to the foreign exchange market by non-residents.

In this respect, financial entities can grant access to the foreign exchange market with a sworn affidavit by the client regarding the reason for which the foreign exchange market is being accessed in the case of transactions involving the transfer of foreign currency abroad, and the sale of cash, checks and travelers checks in foreign currency, to the following non-resident clients:

- (a) International organizations and institutions acting as official export credit agencies;
  
- (b) Diplomatic and consular representatives and diplomatic staff authorized in the country to the extent that such transfers are made in the exercise of their respective functions; and
  
- (c) Representations from courts, authorities or departments, special missions, bilateral commissions or bodies established by international treaties or agreements, to which Argentina is a party, to the extent that such transfers are made in the exercise of their respective functions.

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Access to the foreign exchange market by non-residents can be also granted for transfers of funds collected in Argentina to overseas accounts, provided that the non-resident files a sworn affidavit declaring that the funds correspond to:

- (1) Argentine import payments.
- (2) Foreign debt with residents for Argentine imports of goods.
- (3) Services, rents and other overseas current transfers.
- (4) Financial indebtedness originating in external loans of non-residents.
- (5) Earnings from bonds and secured loans issued by the Argentine government issued in pesos.
- (6) Recovery of claims in local bankruptcy proceedings and collection of debts under reorganization proceedings to the extent that the non-resident client has been recognized as creditor by a final non-appealable decision of the court of such proceedings.
- (7) Inheritance, in accordance with the declaration of inheritance.
- (8) Benefits or funds from services and sales of received securities, granted by the Argentine government in the framework established by Law Nos. 24,043, 24,411 and 25,914.
- (9) Indemnifications awarded by local courts in favor of non-residents.
- (10) Repatriations of direct investments in companies in the private, non-financial sector that do not control local financial institutions and/or real estate, provided that the foreign beneficiary is either a natural or legal entity residing or incorporated and established in, or the payment is performed, in domains, jurisdictions, territories or associated states that are considered cooperators for the purposes of fiscal transparency according to the provisions of Article 1 of Decree 589/2013, as amended and supplemented for the following purposes:
  - (a) sale of the direct investment;

- (b) final liquidation of the direct investment;
- (c) capital reduction decided by the local company; and
- (d) reimbursement of irrevocable contributions by the local company.

The intervening entity must verify compliance with the Report of Direct Investments, if applicable.

(11) Collections of services or sales proceeds of other portfolio investments (and their profits) provided that the foreign beneficiary is either a natural or legal person residing in or incorporated and established in domains, jurisdictions, territories or associated states that are considered cooperators for the purposes of fiscal transparency according to the provisions of Article 1 of Decree 589/2013, as amended and supplemented. These portfolio investment repatriations include, but are not limited to, portfolio investments in shares and ownership interests in local companies, investments in mutual funds and local trusts, purchases of portfolios of loans granted to residents by local banks, purchases of invoices and promissory notes for local business transactions, investments in local bonds issued in pesos and in foreign currency payable locally, as well as purchases of other internal receivables.

In each of the cases listed above, access to the foreign exchange market is also possible for residents for the transfer of funds to a non-resident. In all cases, before accessing the foreign exchange market, the intervening authority must ensure that the requirements established by the regulations are complied with. When access to the foreign exchange market is granted to the resident, an exchange ticket will be created in his or her name, and the reason for declaration will be the one corresponding to the type of operation.

The remaining sale transactions of currency, cash, checks and travelers checks in foreign currency to non-residents shall be subject to the prior authorization of the Central Bank when the amount exceeds the equivalent of U.S.\$ 10,000 per calendar month across all entities authorized to deal in foreign currency transactions. For transactions below that amount, only identity validation will be required pursuant to applicable regulations under Valid Identification Documentation issued by the Central Bank.

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For capital services and income from public bonds issued by the Argentine government in foreign currency and other bonds issued by residents in foreign currency that are deposited by non-residents in Argentine custody accounts, the non-resident can choose among the following options: the collection in foreign currency, crediting the funds in an Argentine account in foreign currency on his behalf or the transfer of funds to his own account abroad. In these cases, no exchange tickets will be issued.

If, after payment, the beneficiary of the funds wants to convert the collected funds in foreign currency into pesos, the purchase must be done in the foreign exchange market in accordance with the general regulations relating to portfolio investments by non-residents.

Transactions carried out on behalf of and for non-resident clients by intermediaries contemplated in the Law No. 21,526, that are not Pension and Retirement Fund Managers or mutual funds, must take place on behalf of the non-resident client that is granted the access to the foreign exchange market.

***Capital Markets***

As of December 31, 2016, securities-related transactions carried out through stock exchanges and authorized securities markets were to be paid in any of the following: (i) in pesos, (ii) in foreign currency through electronic fund transfers from and to sight accounts in local financial institutions or (iii) through wire transfers against foreign accounts. Under no circumstances was the settlement of these securities purchase and sale transactions to be made in foreign currency bills or through deposits in escrow accounts or in third-party accounts (Communication A 4308). However, this provision was repealed by Communication A 6220 on April 12, 2017.

***Report of issuances of securities and other foreign indebtedness of the private financial and non-financial sector***

Pursuant to Communication A 3602, as amended, all individuals and legal entities in the private financial and non-financial sector must report their outstanding foreign indebtedness (whether peso or foreign currency-denominated) at the end of each quarter. The debts incurred and repaid within the same calendar quarter need not be reported.

***Direct Investment Reports***

Communication A 4237 established reporting requirements in connection with direct investments made by local residents abroad and by non-residents in Argentina, which is still in force as of the date of this prospectus. Direct investments are defined as those that reflect the long-standing interest of a resident in one economy (direct investor) in another economy's resident entity, such as an ownership interest representing at least 10% of a company's capital stock or voting rights. The reporting requirements prescribed by this Communication A 4237 are to be met on a biannual basis.

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Notwithstanding the above, there can be no assurance that the Central Bank will not require again its prior authorization for, or restrict in some other way, the transfer of funds abroad for principal and/or interest payments by Telecom to its foreign creditors or for dividend payments by Telecom to its foreign shareholders.



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**QUESTIONS AND ANSWERS ABOUT THE REORGANIZATION AND THE NORTEL PREFERRED SPECIAL MEETING**

*The following are some questions that you may have regarding the proposed Reorganization and the other matters being considered at the Nortel Preferred Special Meeting and brief answers to those questions. We urge you to read the remainder of this prospectus carefully, including, without limitation, the Preliminary Reorganization Agreement, a copy of which is attached to this prospectus as Annex A, because the information in this section does not provide all the information that might be important to you with respect to the proposed Reorganization. Additional important information is also contained in the annexes to, and the documents incorporated by reference in, this prospectus.*

**Q: What are the reasons for the Reorganization?**

**A:** The Reorganization is expected to allow the Participating Companies to (i) simplify and consolidate the corporate structure of the Participating Companies; (ii) simplify and consolidate the management of the Participating Companies into only one Board of Directors and group of managers and officers so as to achieve a more integrated and efficient decision-making process; (iii) consolidate and integrate the operational structure and the human resources of the Participating Companies; (iv) incorporate operational synergies and improvements; (v) improve the liquidity of the Telecom Class B Shares in the capital markets and provide liquidity to the Nortel Preferred Shares and (vi) consolidate the assets and liabilities of the Participating Companies into the Company, improving its creditworthiness and enhancing the financial alternatives for operations.

**Q: What is the Reorganization?**

**A:** The Reorganization refers to the corporate organization under the Argentine General Companies Law No. 19,550, as amended (the Argentine Corporations Law ) of Nortel, Sofora, Personal and Telecom through which the Absorbed Companies will be absorbed by Telecom, which will be the surviving company and continue to be called Telecom Argentina S.A.

**Q: What will happen in the Reorganization?**

**A:** The Reorganization consists of a series of steps and is governed by the Preliminary Reorganization Agreement and the Argentine Corporations Law.

Upon consummation of the Reorganization described in this prospectus, (a) Nortel, Sofora and Personal will be dissolved without liquidation and cease to exist, (b) all issued Nortel Securities, Sofora Common Shares and shares of capital stock of Personal will be cancelled and

(c) Telecom will assume all of the rights and obligations of Nortel, Sofora and Personal. Nortel will (i) convert a portion of its Telecom Class A Shares to Telecom Class B Shares at the ratio of one Telecom Class B Share for each Telecom Class A Share; (ii) distribute its Telecom Class B shares (including all of the Telecom Class B Shares resulting from the conversion of Nortel's Telecom Class A Shares) to the holders of Nortel Preferred Shares at the Preferred B Share Distribution Ratio (or the holders of Nortel ADSs at the ADS Distribution Ratio); (iii) distribute its remaining Telecom Class A shares to the holders of Sofora Common Shares at the Ordinary Distribution Ratio; and (iv) cancel all of the Nortel Securities.

For more information regarding the steps and agreements involved, see "The Reorganization" in this prospectus.

**Q: Which company will survive the Reorganization?**

**A:** If the Reorganization is approved, the Absorbed Companies will be absorbed into Telecom, and Telecom will be the surviving company.

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**Q: What will be the name of the reorganized company if the Reorganization is approved?**

**A:** If the Reorganization is approved, the reorganized company, which we also refer to as the surviving company, will be Telecom Argentina S.A. Nortel, Sofora and Personal will no longer exist as separate entities.

**Q: What is the status of the Reorganization?**

**A:** As of March 31, 2017, the Preliminary Reorganization Agreement has been approved by the Boards of Directors of the Participating Companies. Shareholders of the Participating Companies will be asked to approve the terms and conditions of the Reorganization, including the Preliminary Reorganization Agreement and related documentation, at their respective general shareholders meetings in the case of Nortel, Telecom, Personal and Sofora and at the Nortel Preferred Special Meeting and Nortel Common Special Meeting in the case of Nortel. Once such shareholder approvals have been received, the Participating Companies will take such actions required to complete all other regulatory and administrative requirements related to the Reorganization, including seeking the ENACOM Authorizations and an administrative consent from the CNV. The distribution of Telecom Class B Shares to holders of Nortel Preferred Shares (including all of the Telecom Class B Shares resulting from the conversion of Nortel's Telecom Class A Shares) to the holders of Nortel Preferred Shares at the Preferred B Share Distribution Ratio (or the holders of Nortel ADSs at the ADS Distribution Ratio) and of Telecom Class A Shares to holders of Sofora Common Shares and the cancellation of the Nortel Securities and Sofora Common Shares will occur on the Reorganization Completion Date.

**Q: What will happen to the Nortel Preferred Shares and Nortel ADSs in the Reorganization, and what will holders of Nortel Preferred Shares and Nortel ADSs receive if the Reorganization is completed?**

**A:** If the Reorganization is approved and consummated, holders of Nortel Preferred Shares will receive 134.565053 Telecom Class B Shares for each Nortel Preferred Share and holders of Nortel ADSs will receive 1.34565053 Telecom ADSs for each Nortel ADS. Upon the consummation of the Reorganization, all Nortel Securities will be cancelled.

**Q: Are the Telecom Securities and the Nortel Preferred Shares and Nortel ADSs traded on any stock exchange?**

**A:** Telecom Class B Shares and Nortel Preferred Shares are listed and traded on the BYMA under the symbol

TECO2 and NORT6, respectively. The Telecom ADSs and the Nortel ADSs are listed and traded on the NYSE under the symbols TEO and NTL, respectively. Nortel ADSs are also listed on the Luxembourg Stock Exchange.

**Q: If I hold Nortel ADSs, how will my fractional entitlements to Telecom ADSs be treated at the time of the Reorganization?**

**A:** As a result of the Reorganization, subject to compliance with the provisions of each of the Amended and Restated Deposit Agreement, dated as of May 22, 1997 (the Nortel ADS Deposit Agreement ), among Nortel, JPMorgan Chase Bank, N.A., as depositary for the Nortel ADSs (the Nortel ADS Depositary ) and all holders from time to time of Nortel American depositary receipts issued thereunder evidencing Nortel ADSs, the holders of Nortel ADSs will be entitled to receive 1.34565053 Telecom ADSs for each Nortel ADS. Telecom ADSs will be issued pursuant to, and subject to the terms and conditions of, the Deposit Agreement dated as of November 8, 1994 (as amended on August 28, 1997, the Telecom ADS Deposit Agreement ) among Telecom, JPMorgan Chase Bank, N.A., as depositary for the Telecom ADSs (the Telecom ADS Depositary ) and all holders from time to time of Telecom American depositary receipts issued thereunder evidencing Telecom ADSs. No fractional Telecom ADSs will be issued. Fractional entitlements to Telecom ADSs will be aggregated and sold. The net proceeds from the sale of fractional entitlements to Telecom ADSs will be distributed on a pro rata basis to the holders of Nortel ADSs that otherwise would have been entitled to receive a fraction of a Telecom ADS.

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**Q: Will holders of Nortel Preferred Shares or Nortel ADSs have to pay brokerage commissions?**

**A:** Holders of Nortel Preferred Shares or Nortel ADSs will not have to pay brokerage commissions if their Nortel Preferred Shares or Nortel ADSs are registered in their name. However, if such securities are held through a bank or broker or a custodian, holders of Nortel Preferred Shares or Nortel ADSs should inquire as to whether any other transaction fee or service charges may be charged by the broker or custodian in connection with the Reorganization.

**Q: What shareholder approvals are needed in connection with the Reorganization?**

**A:** The Nortel Reorganization will require the affirmative votes of holders representing at least two-thirds of the outstanding Nortel Preferred Shares pursuant to Section 9(i) of the terms of issuance of the Nortel Preferred Shares. At the Nortel Special Meeting, holders representing more than 50% of the Nortel Preferred Shares present at the Nortel Preferred Special Meeting must vote to approve the loss of preferential rights of the Nortel Preferred Shares caused by the Nortel Reorganization, and holders representing at least two-thirds of the outstanding Nortel Preferred Shares are required to approve the deletion of Section 9 from the terms of issuance of the Nortel Shares. Finally, at the Nortel Common Special Meeting, holders representing more than 50% of the total outstanding Nortel Common Shares are required to approve the dilution of voting rights as a result of the Reorganization.

In addition, the Reorganization will require the affirmative votes of (i) holders representing more than 50% of the total outstanding capital stock of Nortel entitled to vote at an extraordinary general shareholders meeting of Nortel, (ii) holders representing more than 50% of the total outstanding capital stock of Sofora entitled to vote at an extraordinary general shareholders meeting of Sofora, (iii) holders representing more than 50% of the total outstanding capital stock of Personal entitled to vote at an extraordinary general shareholders meeting of Personal and (iv) holders representing more than 50% of the shares of Telecom present at an ordinary and extraordinary general shareholders meeting of Telecom that meets the quorum requirements for each matter to be voted on.

**Q: Do Sofora and Nortel intend to vote the Nortel Shares and Telecom Shares that they directly beneficially own, respectively, in favor of the Reorganization?**

**A:** Yes. With respect to Nortel, Sofora's Board of Directors intends to cause Sofora to vote all of its Nortel Common Shares in favor of the Reorganization.

With respect to Telecom, Nortel's Board of Directors intends to cause Nortel to vote the 502,034,299 Telecom Class A Shares and the 36,832,408 Telecom Class B Shares that it directly owns, representing 55.60% of the total outstanding capital stock of Telecom, in favor of the Reorganization.

The votes of Sofora and Nortel will be sufficient to approve the Reorganization at the extraordinary general shareholders meeting of Nortel and ordinary and extraordinary general shareholders meeting of Telecom, provided that the Reorganization will also be subject to the approval of the shareholders at the Nortel Preferred Special Meeting.

In addition, Telecom intends to vote all of the outstanding capital stock of Personal in favor of the Reorganization.

**Q: Do the holders of Nortel Preferred Shares and Nortel ADSs have appraisal rights in connection with the Reorganization?**

**A:** Holders of Nortel Preferred Shares and Nortel ADSs will not have any appraisal or dissenters rights under the Argentine Corporations Law or under Nortel's bylaws (*estatutos sociales*) in connection with the Reorganization, and neither Nortel nor Telecom will independently provide holders of Nortel Preferred Shares and Nortel ADSs with any such rights. A dissenter's right of appraisal is not available pursuant to Section 245 of the Argentine Corporations Law in the event of a merger between two companies where holders of listed shares of a company that is being dissolved as a result of a merger receive listed shares of the surviving entity.

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**Q: Are there risks associated with the Reorganization that I should consider in deciding whether to vote for the Reorganization?**

**A:** Yes. There are risks related to the Reorganization that are discussed in this document. See, in particular, the detailed description of the risks associated with the Reorganization in Risk Factors.

**Q: What happens if the Reorganization is not approved?**

**A:** If the Reorganization is not approved, Sofora intends to retain ownership of all Nortel Securities and Telecom Securities that it holds, either directly or indirectly, and continue to treat the Absorbed Companies as subsidiaries of Sofora.

**Q: As a holder of Nortel ADSs, what should I do to receive Telecom ADSs?**

**A:** Upon the effectiveness of the Reorganization, Nortel will terminate the Nortel ADS Deposit Agreement, and all holders of Nortel ADSs will be required to surrender their Nortel ADSs for cancellation in order to receive, in the form of Telecom ADSs issued by the Telecom ADS Depository, the number of Telecom Class B Shares that the Nortel ADS Depository receives in connection with the distribution by Nortel of Nortel's Telecom Class B Shares to which they are entitled, subject, in each case, to prior payment of applicable fees, charges and expenses, including, without limitation taxes, as provided for in the Nortel ADS Deposit Agreement (in the case of surrenders) and Telecom ADS Deposit Agreement (in the case of issuances), as the case may be. If you are a holder of Nortel ADSs, you will be required to surrender your American depository receipt to the Nortel ADS Depository and make the above referenced payments in order to receive your Telecom Class B Shares in the form of Telecom ADSs. If you are not a registered holder of your Nortel ADSs but hold your Nortel ADSs through a broker, bank, custodian or other nominee, you will need to arrange with your broker, bank, custodian or other nominee to make such surrender and to make the above-referenced payments on your behalf in order for the Nortel ADS Depository to arrange for such Nortel ADSs to be cancelled and exchanged for Telecom ADSs. If you hold Nortel ADSs in direct registration form (*i.e.*, registered in your name but not represented by an American depository receipt), upon payment of the applicable fees, charges and expenses, including taxes owing to the Nortel ADS Depository and the Telecom ADS Depository, the Nortel ADS Depository will arrange for the cancellation of your Nortel ADSs, deliver the number of Telecom ADSs received in the Reorganization in respect of your Nortel ADSs to the order of the Telecom ADSs Depository, and instruct the Telecom ADS Depository to issue and deliver the applicable number of Telecom ADSs to you in direct registration form.

**Q: Why am I receiving this document?**

**A:** In connection with the Nortel Reorganization, this document is required to be delivered to all holders of Nortel Preferred Shares and Nortel ADSs that are U.S. residents. This document is being distributed to you for informational purposes only. You should carefully review it because as a shareholder of Nortel you will be entitled to vote, or, in the case of holders of Nortel ADSs, instruct the Nortel ADS Depositary to vote, at the Nortel Preferred Special Meeting that will be called in order for the holders of Nortel Preferred Shares to approve the Nortel Reorganization.

**Q: What are the U.S. federal income tax consequences of the Reorganization and the payment of cash in lieu of fractional Telecom B Share or Telecom ADS interests?**

**A:** There is no guidance directly on point for U.S. federal income tax purposes concerning the simultaneous mergers of multiple companies into a single company under the Argentine Corporations Law. We expect that the Reorganization will be a tax-free reorganization for U.S. federal income tax purposes. Accordingly, we expect that (i) a U.S. holder will recognize no gain or loss upon receipt of Telecom Class B Shares or Telecom ADSs pursuant to the Reorganization, except for any gain or loss that may result from your receipt of cash instead of fractional shares of Telecom Class B Shares or fractional interests in Telecom ADSs, (ii) a U.S. holder's holding period in the Telecom Class B Shares or Telecom ADSs will include the holding period of the Nortel Preferred Shares or Nortel ADSs exchanged therefor and (iii) a U.S. holder's tax basis in the Telecom Class B Shares or Telecom ADSs will be the same as the holder's tax basis in the Nortel Preferred Shares or Nortel ADSs, as applicable, at the time of the distribution of Telecom Class B Shares or ADSs.



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The U.S. federal income tax consequences of the Reorganization are complex. You should read the section entitled "U.S. Federal Income Tax Consequences" for more information on the U.S. federal income tax consequences of the Reorganization, and you should consult your own tax advisors regarding the tax consequences of the Reorganization in your particular circumstances.

**Q: What are the Argentine tax consequences of the Reorganization?**

**A:** The Reorganization of the Absorbed Companies and Telecom qualifies as a tax-free reorganization under Section 77 of Law No. 20,628, as amended (the Argentine Income Tax Law), and the Argentine Income Tax Law's *Decreto Reglamentario 1344/98* (the Regulatory Decree); therefore, we believe the shareholders will not have to recognize any Argentine-source income in connection with the distribution of Nortel's Telecom Class B Shares to holders or Nortel Preferred Shares.

In order for the Reorganization to qualify as a tax-free reorganization under the Argentine Income Tax Law and the Regulatory Decree, the companies must give formal notice of the Reorganization and submit other documentation to the AFIP within 180 calendar days from the Reorganization Effectiveness Date and comply with certain other requirements, as further described under "Argentine Tax Consequences - Tax Consequences Related to the Reorganization."

**Q: What will be the accounting treatment of the Reorganization?**

**A:** The distribution by Nortel of its Telecom Class B Shares will be accounted for under the predecessor basis of accounting, as permitted by International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Under the predecessor basis of accounting, assets and liabilities of all Participating Companies will be consolidated into Telecom at their respective carrying amounts.

**Q: Are any other approvals necessary for the completion of the Reorganization?**

**A:** Except for the shareholder approvals and the regulatory and administrative authorizations described under "Regulatory and Administrative Matters," there are no other approvals necessary to complete the Reorganization.

**Q: Are there any conditions to the Reorganization?**

A: The effectiveness of the Reorganization is subject to the satisfaction of the following conditions:

- approval of the Reorganization on the terms and conditions set forth in the Preliminary Reorganization Agreement by the shareholders of the Absorbed Companies and Telecom at each of their respective general shareholders meetings in the case of Telecom, Personal, Nortel and Sofora and at the Nortel Preferred Special Meeting and Nortel Common Meeting in the case of Nortel;
- Telecom has prepared its technical and operational systems with the capacity to absorb the operations of the Absorbed Companies;
- the execution of the Final Reorganization Agreement, as required under Argentine law;
- the receipt of the ENACOM Amortization Authorization;
- the receipt of the ENACOM Nortel Authorization;
- the receipt of the ENACOM Licenses Authorization; and
- the amortization in full of 140,704,640 Sofora Common Shares representing 32.0% of Sofora's outstanding capital stock (see "The Reorganization" Effects of the Reorganization *Sofora's Bono de Goce* ).

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In addition, the Participating Companies currently expect that the Reorganization will be completed as of the Reorganization Completion Date on which each of the following corporate and administrative procedures is satisfied: (i) the receipt of an administrative consent from the CNV with respect to the Reorganization and (ii) the registration of the Final Reorganization Agreement with the Public Registry of the City of Buenos Aires, among others.

No assurance can be given as to when or whether any of these approvals and consents will be obtained or conditions satisfied, the terms and conditions that may be imposed in connection with the consents and approvals, or the consequences of failing to obtain the consents and approvals.

**Q: How will my rights as a Nortel ADS holder change after the Reorganization?**

**A:** By receiving Telecom ADSs, you will be entitled to certain rights as a shareholder of Telecom that are different from your rights as a shareholder of Nortel. See Comparison of the Rights of Shareholders of Telecom and Nortel. The Telecom Class B Shares and Telecom ADSs to be distributed in the Reorganization will have the same rights (including the right to receive dividends) as the Telecom Class B Shares and the Telecom ADSs prior to the Reorganization, as set forth in Telecom's bylaws (*estatutos sociales*) and the Telecom Deposit Agreement.

**Q: Who can vote, and what is the record date for the Nortel Preferred Special Meeting?**

**A:** Only holders of Nortel Preferred Shares who are shareholders of record as of close of business, Buenos Aires time, on the date that is three business days prior to the date of the Nortel Preferred Special Meeting will be entitled to attend and vote at such meeting. Holders of Nortel Preferred Shares must register their intention to attend such meeting at least three business days prior to the meeting by sending a duly executed notice of attendance in writing to Nortel and a statement of account certifying the holder's ownership of the Nortel Shares issued by Caja de Valores S.A.

The Nortel ADS Depositary shall fix a record date as soon as practicable for the determination of the holders of Nortel ADSs who shall be entitled to give instructions for the exercise of voting rights at such meeting. Holders of Nortel ADSs will not be permitted to attend any meeting of Nortel's shareholders.

**Q: Where and when is the Nortel Preferred Special Meeting?**

**A:** Nortel will hold the Nortel Preferred Special Meeting at Alicia Moreau de Justo 50, City of Buenos Aires at \_\_\_\_\_, Buenos Aires time on \_\_\_\_\_, 2017.

Following the Nortel Preferred Special Meeting, we will publish notice of the Reorganization for a period of three days, in accordance with Article 83 of Argentine Corporations Law.

**Q: How do I vote, and do I have to attend the Nortel Preferred Special Meeting in person to vote?**

**A:**  *Holders of Nortel Preferred Shares*

Holders of Nortel Preferred Shares may attend the Nortel Preferred Special Meeting in person or by proxy to vote. In either case, you may also grant an Argentine power of attorney to an attorney-in-fact who must attend the meeting in person and vote your shares on your behalf. If you are a foreign company, you will be requested to show evidence of your registration as a foreign shareholder to the Public Registry of the City of Buenos Aires, pursuant to the terms of Section 123 of the Argentine Corporations Law.

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*Holders of Nortel ADSs*

Holders of Nortel ADSs whose ownership is directly recorded on the registry of the Nortel ADS Depositary by the record date will receive instructions on how to provide voting instructions to the Depositary with respect to the shares underlying their Nortel ADSs, provided the Nortel ADS Depositary receives adequate advance notice of the meeting. Upon receipt of instructions of an eligible registered holder of Nortel ADSs in the manner and on or before the date established by the Nortel ADS Depositary for such purpose, the Nortel ADS Depositary will endeavor insofar as practicable and permitted under the provisions of or governing the Nortel Shares represented thereby to vote or cause to be voted such Nortel Preferred Shares represented by the ADSs evidenced by such eligible registered holder of Nortel ADSs in accordance with such instructions. Beneficial owners of Nortel ADSs which are held by a custodial entity such as a bank, broker, custodian or other nominee and who wish to provide voting instructions must follow the procedures established by such entity with respect to providing voting instructions. In order to do so, beneficial owners of Nortel ADSs should contact the bank, broker, custodian or other nominee through which their Nortel ADSs are held for instructions on how to do so. See The Nortel Preferred Special Meeting Manner of Voting.

**Q: What happens if I abstain from voting or do not vote?**

**A: *Holders of Nortel Preferred Shares***

If you hold Nortel Preferred Shares (not Nortel ADSs) and do not attend the Nortel Preferred Special Meeting, your Nortel Preferred Shares will not contribute to the quorum required at such meeting. If you hold Nortel Preferred Shares, attend the Nortel Preferred Special Meeting and contribute to the required quorum, and abstain from voting, your abstention will have the same effect as a negative vote for the purposes of calculating the votes required to approve the Reorganization and the loss of the preferential rights of the Nortel Preferred Shares.

In order to have a quorum at the Nortel Preferred Special Meeting, at least 50% of the outstanding Nortel Preferred Shares must be present or represented at the meeting following the first call, or at least one Nortel Preferred Share must be present or represented at the meeting following the second call if a quorum was not reached on the first call.

*Holders of Nortel ADSs*

Nortel Preferred Shares underlying Nortel ADSs for which no voting instruction is submitted to the Nortel ADS Depositary will not be voted.

**Q: When will holders of Nortel Preferred Shares be entitled to receive dividends on the Telecom Class B Shares that they acquire in the Reorganization?**

**A:** You will be entitled to receive any dividends that have a record date that falls after the Reorganization Effectiveness Date.

**Q: Who can help answer my questions?**

**A:** If you have any questions about the Reorganization, you should contact Nortel at:

Alicia Moreau de Justo 50  
(C1107AAB) Buenos Aires  
Argentina  
+54-11-4968-3631  
Attention: Maria Blanco Salgado  
[www.nortelsa.com.ar](http://www.nortelsa.com.ar)

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**SUMMARY**

*The following is a summary that highlights information contained in this prospectus. This summary may not contain all the information that is important to you. For a more complete description of the Preliminary Reorganization Agreement and the transactions contemplated thereby, we encourage you to read carefully this entire prospectus, including the attached annexes. In addition, we encourage you to read the information incorporated by reference into this prospectus, which includes important business and financial information about Nortel and Telecom that has been filed with the SEC. You may obtain the information incorporated by reference into this prospectus without charge by following the instructions in the section entitled Where You Can Find More Information.*

**The Companies**

*Telecom*

Telecom is one of the largest private-sector companies in Argentina in terms of revenues, net income, capital expenditures and number of employees. Telecom has a non-expiring license to provide fixed-line telecommunications services in Argentina, and it also provides other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and Internet services. Through Telecom's subsidiaries, Telecom also provides mobile telecommunications services (primarily through its wholly owned subsidiary Personal) and international wholesale services.

As of December 31, 2016, Telecom had approximately 3,920 thousand lines of service, its Internet services reached 1,738 thousand access points and its wireless services had 19,514 thousand subscribers in Argentina and 2,538 thousand in Paraguay.

Telecom is incorporated as a *sociedad anónima* under the laws of Argentina. The duration of Telecom is 99 years from the date of registration with the Public Registry of the City of Buenos Aires (July 13, 1990). Telecom conducts its business under the commercial name Telecom. Telecom's principal executive offices are located at Alicia Moreau de Justo 50, City of Buenos Aires, Argentina (C1107AAB). Telecom's telephone number is (54-11) 4968-4000. Telecom's website address is [www.telecom.com.ar](http://www.telecom.com.ar). None of the information available on its website or elsewhere will be deemed to be included or incorporated by reference into this prospectus.

*Selected Financial Information*

This prospectus incorporates by reference the audited consolidated financial statements of Telecom as of December 31, 2016 and 2015 and for the three years in the period ended December 31, 2016 included in the Telecom 2016 Form 20-F, which we refer to as the Telecom Audited Financial Statements. The Telecom Audited Financial Statements have been prepared in accordance with IFRS as issued by the IASB and are presented in Argentine pesos.

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The selected financial and operating information should be read in conjunction with, and is qualified in its entirety by reference to, the Telecom Audited Financial Statements and the notes thereto incorporated by reference in this prospectus.

INCOME STATEMENT DATA	2016	For the year ended December 31,				
	(in millions of U.S.\$, except per share and per ADS data in U.S.\$)(1)	2016	2015	2014	2013	2012
		(in millions of pesos, except per share and per ADS data in pesos)				
Total revenues and other income	3,557	53,323	40,540	33,388	27,350	22,196
Operating expenses (without depreciation and amortization)	(2,595)	(38,899)	(29,674)	(24,686)	(19,786)	(15,626)
Operating expenses - depreciation and amortization	(413)	(6,198)	(4,438)	(3,243)	(2,873)	(2,612)
Gain /(Loss) on disposal of PP&E and impairment of PP&E	(26)	(383)	(199)	(16)	(173)	8
<b>Operating income</b>	<b>523</b>	<b>7,843</b>	<b>6,229</b>	<b>5,443</b>	<b>4,518</b>	<b>3,966</b>



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	2016 (in millions of U.S.\$, except per share and per ADS data in U.S.\$)(1)	For the year ended December 31,				
		2016	2015	2014	2013	2012
		(in millions of pesos, except per share and per ADS data in pesos)				
Other, net(2)	(150)	(2,244)	(1,102)	253	528	229
Income tax expense	(106)	(1,594)	(1,692)	(1,967)	(1,792)	(1,463)
<b>Net income</b>	<b>267</b>	<b>4,005</b>	<b>3,435</b>	<b>3,729</b>	<b>3,254</b>	<b>2,732</b>
Other Comprehensive Income, net of tax	18	263	257	243	133	91
<b>Total Comprehensive Income</b>	<b>285</b>	<b>4,268</b>	<b>3,692</b>	<b>3,972</b>	<b>3,387</b>	<b>2,823</b>
<i>Total Comprehensive Income attributable to Telecom Argentina</i>	<i>276</i>	<i>4,142</i>	<i>3,580</i>	<i>3,837</i>	<i>3,285</i>	<i>2,745</i>
<i>Total Comprehensive Income attributable to Non-controlling Interest</i>	<i>9</i>	<i>126</i>	<i>112</i>	<i>135</i>	<i>102</i>	<i>78</i>
Number of shares outstanding at year-end (in millions of shares)(3)	969	969	969	969	969	984
Net income per share (basic and diluted)(4)	0.27	4.10	3.51	3.79	3.27	2.73
Net income per ADS(5)	1.37	20.51	17.56	18.95	16.35	13.64
Dividends per share(6)	0.14	2.06	0.83	1.24	1.03	0.82
Dividends per ADS(7)	0.70	10.32	4.15	6.20	5.11	4.10

FINANCIAL POSITION DATA	2016 (in millions of U.S.\$)(9)	2016	As of December 31,		2013	2012
			2015	2014		
			(in millions of pesos)			
Current assets	979	15,562	11,492	6,393	9,751	6,986
PP&E and intangible assets	1,936	30,757	25,622	19,140	12,745	10,549
Other non-current assets	100	1,595	1,351	784	634	274
<b>Total assets</b>	<b>3,015</b>	<b>47,914</b>	<b>38,465</b>	<b>26,317</b>	<b>23,130</b>	<b>17,809</b>
Current liabilities	1,039	16,511	16,914	9,097	9,050	5,883
Non-current liabilities	725	11,525	3,941	2,451	2,029	1,768
<b>Total liabilities</b>	<b>1,764</b>	<b>28,036</b>	<b>20,855</b>	<b>11,548</b>	<b>11,079</b>	<b>7,651</b>
<b>Total equity</b>	<b>1,251</b>	<b>19,878</b>	<b>17,610</b>	<b>14,769</b>	<b>12,051</b>	<b>10,158</b>
<i>Equity attributable to Telecom</i>	<i>1,217</i>	<i>19,336</i>	<i>17,194</i>	<i>14,418</i>	<i>11,783</i>	<i>9,959</i>
<i>Non-controlling Interest</i>	<i>34</i>	<i>542</i>	<i>416</i>	<i>351</i>	<i>268</i>	<i>199</i>
Total Capital Stock(8)	62	984	984	984	984	984

(1) Solely for the convenience of the reader, peso amounts for the year ended December 31, 2016 have been translated into U.S. dollars at the annual average rate for U.S. dollars quoted by *Banco Nación* for the year 2016, of Ps.14.99 to U.S.\$1.00.

(2) Other, net includes Finance income and expenses.

(3) Number of ordinary shares outstanding at year-end (as of December 31, 2016, 2015, 2014 and 2013 excludes treasury shares).

(4) Calculated based on the weighted average number of ordinary shares outstanding during each period (969,159,605 for the years 2016, 2015 and 2014, 978,939,079 shares for the year 2013, and 984,380,978 shares for the year 2012).

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(5) Calculated based on the equivalent in ADSs to the weighted average number of ordinary shares outstanding during each period (193,831,921 ADSs for the years 2016, 2015 and 2014, 195,787,816 ADSs for the year 2013 and 196,876,196 ADSs for the year 2012).

(6) The dividends approved by the shareholders meeting held on April 29, 2016 represented a dividend per share of Ps.2.06, payable in two installments of Ps.0.72 and Ps.1.34, which translated into U.S. dollars using the ask rate published by the *Banco Nación* prevailing as of the date when dividends were available amounted to U.S.\$0.05 and U.S.\$0.09, respectively.

(7) The dividends approved by the shareholders meeting held on April 29, 2016 represented a dividend per ADS of Ps.10.32, payable in two installments of Ps.3.61 and Ps.6.71, which translated into U.S. dollars using the ask rate published by the *Banco Nación* prevailing as of the date when dividends were available amounted to U.S.\$0.25 and U.S.\$0.45, respectively.

(8) Ordinary shares of Ps.1 of nominal value each.

(9) Solely for the convenience of the reader, peso amounts as of December 31, 2016 have been translated into U.S. dollars at the ask rate for U.S. dollars quoted by *Banco Nación* on December 30, 2016 of Ps.15.89 to U.S.\$1.00.

Table of Contents*Nortel*

Nortel was organized by a consortium of Argentine and international investors to acquire a controlling interest in the common stock of Telecom as the first step in Argentina's privatization of its fixed-link public telecommunications services and basic telephone services. See Item 7 Major Shareholders and Related Party Transactions of the Nortel 2016 Form 20-F. As of December 31, 2016, Nortel owned approximately 54.74% of the capital stock of Telecom. However, Nortel's ownership of the outstanding shares amounts to 55.60% of Telecom's outstanding shares because, as of the date of this prospectus, Telecom owns 15,221,373 of its own Telecom Class B Shares. See Item 10 Additional Information Bylaws and Terms and Conditions of Issuance of Series B Preferred Shares Nortel's Capital Stock of the Nortel 2016 Form 20-F. Nortel's sole substantial activity is owning such stock and its sole substantial source of cash income is cash dividends paid on such stock. As of December 31, 2016, Nortel's only significant asset was its investment in shares of Telecom.

Nortel is a stock corporation (*sociedad anónima*) organized under the laws of Argentina on October 31, 1990. The duration of Nortel is 99 years from such date of organization. The Company's business offices are located at Alicia Moreau de Justo 50 (C1107 AAB) Buenos Aires, Argentina and its telephone number is (54-11) 4968-3631. Nortel's operations are limited only by its corporate purpose as stated in its bylaws, which is to invest in companies, other than financial services companies generally, and to invest in Telecom specifically. Nortel was formed with the sole intention of investing in Telecom as required by Argentina's privatization process. Nortel Inversora S.A.'s commercial names are Nortel Inversora outside of Argentina and Nortel or Nortel Inversora in Argentina.

*Selected Financial Information*

This prospectus incorporates by reference the audited consolidated financial statements of Nortel as of December 31, 2016 and 2015 and for the three years in the period ended December 31, 2016 included in the Nortel 2016 Form 20-F, which we refer to as the Nortel Audited Financial Statements. The Nortel Audited Financial Statements have been prepared in accordance with IFRS as issued by the IASB and are presented in Argentine pesos.

The selected financial and operating information should be read in conjunction with, and is qualified in its entirety by reference to, the Nortel Audited Financial Statements and the notes thereto incorporated by reference in this prospectus.

INCOME STATEMENT DATA	2016 (in millions of U.S.\$, except per share and per ADS data in U.S.\$)(1)	For the year ended December 31,				
		2016	2015	2014	2013	2012
		(in millions of pesos, except per share and per ADS data in pesos)				
Total revenues and other income	3,557	53,322	40,539	33,388	27,350	22,196
Operating expenses (without depreciation and amortization)	(2,597)	(38,936)	(29,697)	(24,705)	(19,804)	(15,640)
Operating expenses - depreciation and amortization	(413)	(6,198)	(4,438)	(3,243)	(2,873)	(2,612)
Gain/(Loss) on disposal of PP&E and impairment of PP&E	(26)	(383)	(199)	(16)	(173)	8

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<b>Operating income</b>	<b>521</b>	<b>7,805</b>	<b>6,205</b>	<b>5,424</b>	<b>4,500</b>	<b>3,952</b>
Other, net (2)	(148)	(2,214)	(1,067)	277	516	187
Income tax expense	(107)	(1,604)	(1,704)	(1,975)	(1,807)	(1,464)
<b>Net income</b>	<b>266</b>	<b>3,987</b>	<b>3,434</b>	<b>3,726</b>	<b>3,209</b>	<b>2,675</b>
Other Comprehensive Income, net of tax	18	263	257	243	133	90
<b>Total Comprehensive Income</b>	<b>284</b>	<b>4,250</b>	<b>3,691</b>	<b>3,969</b>	<b>3,342</b>	<b>2,765</b>
<i>Total Comprehensive Income attributable to Nortel</i>	<i>153</i>	<i>2,284</i>	<i>1,990</i>	<i>2,131</i>	<i>1,766</i>	<i>1,446</i>
<i>Total Comprehensive Income attributable to Non-controlling Interest</i>	<i>131</i>	<i>1,966</i>	<i>1,701</i>	<i>1,838</i>	<i>1,576</i>	<i>1,319</i>
Number of shares of common stock outstanding at year-end	5,330,400	5,330,400	5,330,400	5,330,400	5,330,400	5,330,400
Net income per share of common stock (3)	14.00	209.92	181.04	195.27	164.72	135.32

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	2016 (in millions of U.S.\$, except per share and per ADS data in U.S.\$)(1)	2016	For the year ended December 31, 2015      2014 (in millions of pesos, except per share and per ADS data in pesos)		2013	2012
Number of Nortel Preferred Shares outstanding at year-end	1,470,455	1,470,455	1,470,455	1,470,455	1,470,455	1,470,455
Net income per Nortel Preferred Share (4)	48.68	729.73	629.52	678.79	572.60	470.39
Number of shares of Telecom outstanding at year-end (in millions of shares) (5)	969	969	969	969	969	984
Net income per share of Telecom (basic and diluted)(6)	0.27	4.10	3.51	3.79	3.27	2.73
Net income per ADS of Telecom (7)	1.37	20.51	17.56	18.95	16.35	13.64
Dividends per share of Telecom (8)	0.14	2.06	0.83	1.24	1.03	0.82
Dividends per ADS of Telecom (9)	0.70	10.32	4.15	6.20	5.11	4.10
Dividends per Nortel Preferred Share(12)	24.88	363.59	189.78	182.75	154.59	3.66
Dividends per share of common stock of Nortel(13)	7.15	104.56	54.58	52.58	44.46	1.05

FINANCIAL POSITION DATA	2016 (in millions of U.S.\$)(10)	2016	As of December 31, 2015      2014 (in millions of pesos)		2013	2012
Current assets	983	15,620	11,569	6,581	9,836	7,000
PP&E and intangible assets	1,936	30,757	25,622	19,140	12,745	10,549
Other non-current assets	100	1,597	1,351	784	636	277
<b>Total assets</b>	<b>3,019</b>	<b>47,974</b>	<b>38,542</b>	<b>26,505</b>	<b>23,217</b>	<b>17,826</b>
Current liabilities	1,040	16,524	16,945	9,115	9,086	5,895
Non-current liabilities	725	11,527	3,944	2,454	2,029	1,768
<b>Total liabilities</b>	<b>1,765</b>	<b>28,051</b>	<b>20,889</b>	<b>11,569</b>	<b>11,115</b>	<b>7,663</b>
<b>Total equity</b>	<b>1,254</b>	<b>19,923</b>	<b>17,653</b>	<b>14,936</b>	<b>12,102</b>	<b>10,163</b>
<i>Equity attributable to Nortel</i>	<i>680</i>	<i>10,797</i>	<i>9,605</i>	<i>8,185</i>	<i>6,603</i>	<i>5,457</i>
<i>Non-controlling Interest</i>	<i>574</i>	<i>9,126</i>	<i>8,048</i>	<i>6,751</i>	<i>5,499</i>	<i>4,706</i>
Total Capital Stock (11)	4	68	68	68	68	68

(1) Solely for the convenience of the reader, peso amounts for the year ended December 31, 2016 have been translated into U.S. dollars at the annual average rate for U.S. dollars quoted by *Banco Nación* for the year 2016, of Ps.14.99 to U.S.\$1.00.

(2) Other, net includes Finance income and expenses.

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- (3) Calculated based on the weight average number of shares of common stock outstanding during the period; excludes from net income amounts accrued for the payment of dividends to holders of preferred stock.
- (4) Calculated based on the weight average number of Nortel Preferred Shares outstanding during each year. In April 1997, Nortel's shareholders decided in an extraordinary meeting to amend the right to dividends, reducing the formula for the calculation of dividends on Nortel Preferred Shares from 49.46% to 48.96% beginning June 16, 1997.
- (5) Number of ordinary shares of Telecom outstanding at year-end (as of December 31, 2016, 2015, 2014 and 2013 excludes treasury shares).
- (6) Calculated based on Telecom's weighted average number of ordinary shares outstanding during each period (969,159,605 for the years 2016, 2015 and 2014, 978,939,079 shares for the year 2013, and 984,380,978 shares for the year 2012).
- (7) Calculated based on Telecom's equivalent in ADSs to the weighted average number of ordinary shares outstanding during each period (193,831,921 ADSs for the years 2016, 2015 and 2014, 195,787,816 ADSs for the year 2013 and 196,876,196 ADSs for the year 2012).
- (8) The dividends approved by the shareholders meeting held on April 29, 2016 represented a dividend per Telecom share of Ps.2.06, payable in two installments of Ps.0.72 and Ps.1.34, which translated into U.S. dollars using the ask rate published by the *Banco Nación* prevailing as of the date when dividends were available amounted to U.S.\$0.05 and U.S.\$0.09, respectively.
- (9) The dividends approved by the shareholders meeting held on April 29, 2016 represented a dividend per Telecom ADS of Ps.10.32, payable in two installments of Ps.3.61 and Ps.6.71, which translated into U.S. dollars using the ask rate published by the *Banco Nación* prevailing as of the date when dividends were available amounted to U.S.\$0.25 and U.S.\$0.45, respectively.
- (10) Solely for the convenience of the reader, peso amounts as of December 31, 2016 have been translated into U.S. dollars at the ask rate for U.S. dollars quoted by *Banco Nación* on December 30, 2016 of Ps.15.89 to U.S.\$1.00.
- (11) 5,330,400 shares of common stock of Ps.10.0 of nominal value each and 1,470,455 Nortel Preferred Shares of Ps.10 of nominal value each.
- (12) This amount includes the dividends for the year ended December 31, 2016 approved by Nortel's Board of Directors on April 29, 2016 and August 9, 2016 and the dividends in advance approved by Nortel's Board of Directors on October 24, 2016 and subsequently ratified by the Shareholders meeting held on April 27, 2017. The total amount represented a dividend per Nortel Preferred Share of Ps.363.59, comprising of Ps.126.52, Ps.57.28 and Ps. 179.79 per share, respectively, which translated into U.S. dollars using the ask rate published by the *Banco Nación* prevailing as of the date when dividends were available amounted to U.S.\$9.01, U.S.\$3.84 and U.S.\$12.03 per share, respectively.
- (13) This amount include the dividends for the year ended December 31, 2016 approved by Nortel's Board of Directors held on April 29, 2016 and August 9, 2016 and the dividends in advance approved by Nortel's Board of Directors on October 24, 2016 and subsequently ratified by the shareholders meeting held on April 27, 2017. The total amount

represented a dividend per Nortel Common Share of Ps.104.56, comprising of Ps.36.39, Ps.16.47 and Ps. 51.70 per share, respectively, which translated into U.S. dollars using the ask rate published by the *Banco Nación* prevailing as of the date when dividends were available amounted to U.S.\$2.59, U.S.\$1.10 and U.S.\$3.46 per share, respectively.

Table of Contents*Sofora*

The purpose of Sofora is to invest in Nortel. Sofora owns 100% of the common stock of Nortel as of December 31, 2016. Sofora's sole activity is owning such stock and its sole source of cash income is cash dividends paid on such stock.

Sofora is incorporated as a *sociedad anónima* under the laws of Argentina. The duration of Sofora is 99 years from the date of registration (September 25, 2003).

*Selected Financial Information*

This prospectus has attached as Annex B the audited consolidated financial statements of Sofora as of December 31, 2016 and 2015 and for the three years in the period ended December 31, 2016 (the Sofora Audited Financial Statements). The Sofora Audited Financial Statements have been prepared in accordance with IFRS as issued by the IASB and are presented in Argentine pesos.

The selected financial and operating information should be read in conjunction with, and is qualified in its entirety by reference to, the Sofora Audited Financial Statements.

INCOME STATEMENT DATA	2016 (in millions of U.S.\$, except per share in U.S.\$)(1)	2016	For the year ended December 31,			
			2015	2014	2013	2012
			(in millions of pesos, except per share data in pesos)			
Total revenues and other income	3,557	53,322	40,539	33,388	27,350	22,196
Operating expenses (without depreciation and amortization)	(2,599)	(38,961)	(29,708)	(24,714)	(19,807)	(15,642)
Operating expenses - depreciation and amortization	(413)	(6,198)	(4,438)	(3,243)	(2,873)	(2,612)
Gain /(Loss) on disposal of PP&E and impairment of PP&E	(26)	(383)	(199)	(16)	(173)	8
<b>Operating income</b>	<b>519</b>	<b>7,780</b>	<b>6,194</b>	<b>5,415</b>	<b>4,497</b>	<b>3,950</b>
Other, net (2)	(141)	(2,109)	(964)	337	516	187
Income tax expense	(109)	(1,639)	(1,744)	(1,990)	(1,807)	(1,465)
<b>Net income</b>	<b>269</b>	<b>4,032</b>	<b>3,486</b>	<b>3,762</b>	<b>3,206</b>	<b>2,672</b>
Other Comprehensive Income, net of tax	18	263	257	243	132	90
<b>Total Comprehensive Income</b>	<b>287</b>	<b>4,295</b>	<b>3,743</b>	<b>4,005</b>	<b>3,338</b>	<b>2,762</b>
<i>Total Comprehensive Income attributable to Sofora</i>	<i>81</i>	<i>1,211</i>	<i>1,067</i>	<i>1,124</i>	<i>897</i>	<i>735</i>



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<i>Total Comprehensive Income attributable to Non-controlling Interest</i>	206	3,084	2,676	2,881	2,441	2,027
Number of shares outstanding at year-end (in millions of shares)	440	440	440	440	440	440
Net income per share (basic and diluted)(3)	0.18	2.64	2.31	2.45	1.99	1.63
Dividends per share of Sofora(6)	0.10	1.41	0.64	0.53		

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FINANCIAL POSITION DATA	2016		As of December 31,		2013	2012
	(in millions of U.S.\$)(4)	2016	2015	2014 (in millions of pesos)		
Current assets	1,009	16,027	12,111	6,938	10,093	7,013
PP&E and intangible assets	1,936	30,757	25,622	19,140	12,745	10,549
Other non-current assets	100	1,597	1,351	790	638	277
<b>Total assets</b>	<b>3,045</b>	<b>48,381</b>	<b>39,084</b>	<b>26,868</b>	<b>23,476</b>	<b>17,839</b>
Current liabilities	1,043	16,571	17,084	9,148	9,112	5,908
Non-current liabilities	726	11,527	3,969	2,469	2,029	1,768
<b>Total liabilities</b>	<b>1,769</b>	<b>28,098</b>	<b>21,053</b>	<b>11,617</b>	<b>11,141</b>	<b>7,676</b>
<b>Total equity</b>	<b>1,276</b>	<b>20,283</b>	<b>18,031</b>	<b>15,251</b>	<b>12,335</b>	<b>10,163</b>
<i>Equity attributable to Sofora</i>	369	5,870	5,280	4,493	3,603	2,785
<i>Non-controlling Interest</i>	907	14,413	12,751	10,758	8,732	7,378
Total Capital Stock(5)	28	440	440	440	440	440

(1) Solely for the convenience of the reader, peso amounts for the year ended December 31, 2016 have been translated into U.S. dollars at the annual average rate for U.S. dollars quoted by *Banco Nación* for the year 2016, of Ps.14.99 to U.S.\$1.00.

(2) Other, net includes finance income and expenses.

(3) Calculated based on the weighted average number of shares of common stock outstanding during the period.

(4) Solely for the convenience of the reader, peso amounts as of December 31, 2016 have been translated into U.S. dollars at the rate for U.S. dollars quoted by *Banco Nación* on December 30, 2016 of Ps.15.890 to U.S.\$1.00.

(5) 439,702,000 shares of common stock of Ps.1.00 of nominal value each.

(6) This amount includes the dividends approved for the year ended December 31, 2016 by the shareholders meeting held on May 16, 2016 and the dividends in advance approved by Sofora's Board of Directors on October 24, 2016 and subsequently ratified by the shareholders meeting held on March 28, 2017. The total amount represented a dividend per Sofora Share of Ps.1.41, comprising of Ps.0.77 and Ps. 0.64 per share, respectively, which translated into U.S. dollars using the ask rate published by the *Banco Nación* prevailing as of the date when dividends were available amounted to U.S.\$0.06 and U.S.\$0.04 per share, respectively.

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**The Reorganization**

On March 31, 2017, the Preliminary Reorganization Agreement attached to this prospectus as Annex A was approved by the Boards of Directors of the Participating Companies. Under the terms of the Preliminary Reorganization Agreement, the Absorbed Companies and Telecom have, subject to the approval by each of the Absorbed Companies and Telecom at the relevant shareholders' meeting and other authorizations, agreed to the Reorganization pursuant to which the Absorbed Companies will be absorbed by Telecom, with Telecom being the surviving entity. In connection with the dissolution of the Absorbed Companies, Nortel will distribute to holders of Nortel Preferred Shares all of the Telecom Class B Shares held by Nortel, including certain Telecom Class B Shares which Nortel will have converted from Telecom Class A Shares to Telecom Class B Shares. Telecom will assume, by succession, all of the assets, liabilities, operations and activities, and will succeed to all of the rights and obligations, of each of the Absorbed Companies. The surviving company will continue to be known as Telecom Argentina S.A. We encourage you to read the Preliminary Reorganization Agreement attached hereto in its entirety.

The Reorganization is expected to allow the Participating Companies to (i) simplify and consolidate the corporate structure of the Participating Companies; (ii) simplify and consolidate the management of the Participating Companies into only one Board of Directors and group of managers and officers so as to achieve a more integrated and efficient decision-making process; (iii) consolidate and integrate the operational structure and the human resources of the Participating Companies; (iv) incorporate operational synergies and improvements; (v) improve the liquidity of the Telecom Class B Shares in the capital markets and provide liquidity to the Nortel Preferred Shares and (vi) consolidate the assets and liabilities of the Participating Companies into the Company, improving its creditworthiness and enhancing the financial alternatives for operations.

The Argentine Corporations Law, the Preliminary Reorganization Agreement and the resolutions adopted at the shareholders' meetings of the Participating Companies will govern the Reorganization. Shareholders of the Absorbed Companies and Telecom will be asked to vote on the decision to reorganize as contemplated by the Preliminary Reorganization Agreement at the shareholders' meetings of each of the Absorbed Companies and Telecom, respectively.

If the Reorganization is approved by the shareholders of the Participating Companies, Telecom and each of the Absorbed Companies expect to enter into a Final Reorganization Agreement, which will be filed with the relevant Argentine authorities for registration and effectiveness of the Reorganization. The cancellation of Nortel Shares and their exchange for Nortel's Telecom Class B Shares as consequence of the Reorganization and the cancellation of Nortel ADSs and their exchange for Telecom ADSs will each take place after the Reorganization Completion Date.

The Reorganization qualifies as a tax-free reorganization under Argentine law. Therefore, no Argentine capital gains or withholding tax would apply to investors receiving Nortel's Telecom Class B Shares in the Reorganization in exchange for their Nortel Preferred Shares. We can provide no assurances that the tax authorities will not challenge the Reorganization's qualification as a tax-free reorganization. Also, the consummation of the Reorganization may not occur for a significant period of time following the filing of this prospectus, in light of the requirements that each company to obtain shareholder approval, submit regulatory filings and complete a registration process. In addition, the Reorganization is subject to a number of conditions, including approval by the shareholders of the four companies, and as a result we can provide no assurances as to when the Reorganization will be consummated or whether the Reorganization will be consummated at all.

If the Reorganization is not approved, Nortel will continue to be Telecom's parent company and Telecom's principal shareholder.

**Telecom Class B Shares and Telecom ADSs Distribution**

In the Reorganization, each holder of Nortel Preferred Shares will be entitled to receive Telecom Class B Shares at the Preferred B Share Distribution Ratio (or the holders of Nortel ADSs at the ADS Distribution Ratio). Holders of Nortel Preferred Shares will not receive any additional distribution or consideration in cash or in kind in connection with the Reorganization (other than as a result of the conversion of Telecom Class A Shares into Telecom Class B Shares).

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No fractional Telecom Class B Shares or Telecom ADSs will be issued. Fractional entitlements to Telecom Class B Shares and Telecom ADSs will be aggregated and sold. The net proceeds from the sale of fractional entitlements to Telecom Class B Shares and Telecom ADSs will be distributed on a pro rata basis to the holders of Nortel Preferred Shares and Nortel ADSs, as the case may be, that otherwise would have been entitled to receive a fraction of such securities.

The Telecom Class B Shares and Telecom ADSs to be distributed in the Reorganization will have the same rights (including the right to receive dividends) as the Telecom Class B Shares and Telecom ADSs, respectively, prior to the Reorganization, as set forth in Telecom's bylaws, except as may be amended at an extraordinary general meeting of Telecom shareholders. See "The Reorganization Effects of the Reorganization Amendment to Telecom's Bylaws."

Based on the number of Nortel Preferred Shares outstanding on the date hereof, after the effective time of the Reorganization, former holders of Nortel Preferred Shares and Nortel ADSs will be entitled to receive approximately 20.42% of the total outstanding capital stock of Telecom on the date hereof in the form of Class B Shares or Telecom ADSs, assuming that Telecom does not issue any additional Telecom Class B Shares between the date hereof and the Reorganization Effectiveness Date. See "The Reorganization Reorganization Distribution" for more information.

**Shareholders Entitled to Vote; Vote Required**

All holders of Nortel Preferred Shares on the date that is three business days prior to the Nortel Preferred Special Meeting are entitled to vote at the Nortel Preferred Special Meeting. See "The Nortel Preferred Special Meeting Who Can Vote."

Nortel Preferred Shares generally do not have voting rights. However, in the case of the Nortel Reorganization, (i) the Nortel Reorganization must be approved by holders representing at least two-thirds of the outstanding Nortel Preferred Shares in accordance with Section 9(i) of the terms of issuance of the Nortel Preferred Shares, and (ii) holders representing more than 50% of the Nortel Preferred Shares present at the Nortel Preferred Special Meeting must approve the loss of preferential rights of the Nortel Preferred Shares. The Nortel Preferred Shares will lose their preferential rights because the holders of Nortel Preferred Shares will receive Telecom Class B Shares with voting rights but no economic preferential rights as a result of the Nortel Reorganization. In addition, holders representing at least two-thirds of the outstanding Nortel Preferred Shares are required to approve the deletion of Section 9 from the terms of issuance of the Nortel Preferred Shares.

**Directors and Management of the Surviving Company After the Reorganization**

Immediately following the Reorganization, the senior management and executives of Telecom, as the surviving company, shall remain the same as the senior management and executive team currently in place and overseeing the operations of the Absorbed Companies and Telecom.

On the Reorganization Effectiveness Date, in accordance with the Preliminary Reorganization Agreement, the Boards of Directors of the Absorbed Companies will be suspended, and Telecom's Board of Directors shall assume the duties and responsibilities of each of the Absorbed Companies Boards of Directors. Following the approval of the Reorganization by the shareholders meetings of each of the Absorbed

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Companies and Telecom, and once the creditors opposition period has ended, the Final Reorganization Agreement will be signed and its registration process initiated with the Public Registry of the City of Buenos Aires. The composition of the Telecom's Board of Directors will not change as a consequence of the Reorganization.

See The Reorganization Directors and Management of the Surviving Company After the Reorganization.

### **Name and Executive Offices of the Surviving Company After the Reorganization**

The surviving company shall continue to be known as Telecom Argentina S.A. upon the effectiveness of the Reorganization. The executive offices of the company will continue to be located in Buenos Aires, Argentina.

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**Share Ownership of Directors, Executive Officers and their Affiliates**

Prior to the completion of the Reorganization, Alejandro D. Quiroga López, Director of Legal and Regulatory Affairs of Telecom, Héctor Gaspar Buscalia, Director of Planning, Administration and Control and Roberto D. Nobile, Chief Operating Officer collectively hold less than one percent of the total outstanding shares entitled to vote at Telecom. No other Telecom executive officer, member of Telecom's Board of Directors or of the Supervisory Committee or their affiliates holds capital stock of Telecom entitled to vote.

Prior to the completion of the Reorganization, Christian Whamond, Alternate Director of Nortel, holds less than one percent of the total outstanding shares entitled to vote at Nortel. No other Nortel executive officer, member of Nortel's Board of Directors or of the Supervisory Committee or their affiliates holds Nortel Common Shares or Nortel Preferred Shares.

For comparison purposes, the voting threshold to approve the Reorganization is detailed under Questions and Answers About the Reorganization and the Nortel Preferred Special Meeting Q: What shareholder approvals are needed? in this prospectus.

**Stock Exchange Listings**

The Telecom Class B Shares and the Nortel Preferred Shares are listed on the BYMA. The Telecom ADSs and the Nortel ADSs are listed on the NYSE and additionally, Nortel ADSs are listed on the Luxembourg Stock Exchange.

After the Reorganization Completion Date, the Nortel Preferred Shares and Nortel ADSs will cease to exist and will no longer be admitted to trading or listed on the BYMA, Luxembourg Stock Exchange or the NYSE.

**Dissenters' Rights of Appraisal in the Reorganization**

Holders of Nortel Preferred Shares and Nortel ADSs have no appraisal rights in connection with the Reorganization.

**Conditions to Effectiveness of the Reorganization**

The effectiveness of the Reorganization is subject to the satisfaction of the following conditions:

- approval of the Reorganization on the terms and conditions set forth in the Preliminary Reorganization Agreement by the shareholders of the Absorbed Companies and Telecom at each of their respective general shareholders meetings in the case of Telecom, Personal, Nortel and Sofora and at the Nortel Preferred Special Meeting and Nortel Common Special Meeting in the case of Nortel;
- Telecom has prepared its technical and operational systems with the capacity to absorb the operations of the Absorbed Companies;
- the execution of the Final Reorganization Agreement, as required under Argentine law;
- the receipt of the ENACOM Amortization Authorization;
- the receipt of the ENACOM Nortel Authorization;
- the receipt of the ENACOM Licenses Authorization; and
- amortization in full of 140,704,640 Sofora Common Shares representing 32.0% of Sofora's outstanding capital stock.

In addition, the Participating Companies currently expect that the Reorganization will be completed as of the Reorganization Completion Date on which each of the following corporate and administrative procedures is satisfied: (i) the receipt of an administrative consent from the CNV with respect to the Reorganization and (ii) the registration of the Final Reorganization Agreement with the Public Registry of the City of Buenos Aires, among others.



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No assurance can be given as to when or whether any of these approvals and consents will be obtained or conditions satisfied, the terms and conditions that may be imposed in connection with the consents and approvals, or the consequences of failing to obtain the consents and approvals.

**Regulatory and Administrative Matters**

The Reorganization is not subject to any additional regulatory or administrative requirements of any municipal, state, federal or foreign governmental agencies, other than those mentioned in this prospectus. For more information, see Regulatory and Administrative Matters.

**Taxation**

The following is a summary. U.S. holders are urged to consult their tax advisors regarding tax consequences of the Reorganization and of holding and disposing of Nortel Preferred Shares, Nortel ADSs, Telecom Class B Shares or Telecom ADSs.

*U.S. Taxation*

You should read the section entitled U.S. Federal Income Tax Consequences for more information on the U.S. federal income tax consequences of the Reorganization, and you should consult your own tax advisors regarding the tax consequences of the Reorganization in your particular circumstances.

*Argentine Taxation*

You should read the section entitled Argentine Tax Consequences for more information on the Argentine tax consequences of the Reorganization, and you should consult your own tax advisors regarding the tax consequences of the Reorganization in your particular circumstances.

**Accounting Treatment**

The distribution by Nortel of its Telecom Class B Shares will be accounted for under the predecessor basis of accounting, as permitted by IFRS as issued by the IASB. Under the predecessor basis of accounting, assets and liabilities of all Participating Companies will be consolidated into Telecom at their respective carrying amounts.

### **Comparison of the Rights of Telecom and Nortel Shareholders**

On the Reorganization Completion Date, Nortel will distribute its Telecom Class B Shares and Telecom ADSs in exchange for the Nortel Preferred Shares or Nortel ADSs, respectively. By receiving either Telecom Class B Shares or Telecom ADSs, holders of Nortel Preferred Shares and Nortel ADSs will be entitled to certain rights as a shareholder of Telecom that are different from your rights as a shareholder of Nortel. See Comparison of the Rights of Shareholders of Telecom and Nortel in this prospectus.

### **Risk Factors**

In deciding whether to vote in favor of the Reorganization, you should carefully consider the following risk factors:

- Market fluctuations may reduce the market value of the Telecom Class B Share and Telecom ADSs that we are offering to distribute to holders of Nortel Preferred Shares and holders of Nortel ADSs, respectively, because the Preferred B Share Distribution Ratio contemplated by the Reorganization is fixed.
- The value of the Telecom Class B Shares, including those represented by Telecom ADSs, being offered will fluctuate due to movements in exchange rates.

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- Investors who own Nortel Preferred Shares but who do not wish to hold Telecom Class B Shares may sell the Telecom Class B Shares they receive or expect to receive in the Reorganization or sell their Nortel Preferred Shares prior to the consummation of the Reorganization. This may put downward pressure on the market price of the Telecom Class B Shares that holders of Nortel Preferred Shares will receive in the Reorganization. Arbitrageurs may also adversely influence the price of the Telecom Class B Shares.
- The Reorganization is subject to regulatory and shareholder approvals which may not be obtained, and any delay in completing the Reorganization may reduce or eliminate the benefits expected to be achieved as a result of the Reorganization.
- If the Reorganization is not consummated, holders of Nortel Preferred Shares will continue to be non-voting shareholders of Nortel.
- The business of Telecom and Personal and the Telecom Class B Shares and Nortel Securities may be adversely impacted if the Reorganization is not consummated.
- Telecom may fail to realize the synergies and benefits anticipated from the Reorganization.
- The receipt of Telecom Class B Shares or Telecom ADSs in the Reorganization may be taxable to Nortel ADS holders under U.S. federal income tax law.
- Certain rights of holders of Nortel Preferred Shares and Nortel ADSs will change as a result of the Reorganization.
- Though the Reorganization qualifies as a tax-free reorganization under Argentine law, we can provide no assurances as to the tax treatment that Argentine tax authorities will give to the Reorganization.
- The integration of the Absorbed Companies into Telecom is a complex process that may affect the operations and results of operations of Telecom.

See Risk Factors beginning on page 23.

Table of Contents**COMPARATIVE PER SHARE MARKET DATA**

The Boards of Directors of the Participating Companies approved the Preliminary Reorganization Agreement on March 31, 2017. The following tables present the market value of the Telecom Class B Shares (on a historical basis) as of the last trading date for which stock prices were available prior to the date on which the Boards of Directors of the Participating Companies approved the Preliminary Reorganization Agreement. Shareholders are urged to obtain current market information regarding the Nortel Securities and the Telecom Securities. The market prices of these securities will fluctuate during the pendency of the Reorganization and thereafter, and may be different from the prices set forth below at the time you receive Telecom shares.

The Preferred B Share Distribution Ratio is 134.565053 Telecom Class B Shares for each Nortel Preferred Share and the ADS Distribution Ratio is 1.34565053 Telecom ADSs for each Nortel ADS.

**Nortel Preferred Shares and Telecom Class B Shares**

The following table presents the closing market prices per share as reported on the BYMA for Telecom Class B Shares as of February 6, 2017 and March 30, 2017 and Nortel Preferred Shares as of February 6, 2017:

	<b>Telecom B Share</b>		<b>Nortel Preferred Shares</b>		<b>Nortel Preferred Shares Equivalent Basis</b>	
		<b>Historical</b>				
February 6, 2017(1)	Ps.	69.0	Ps.	8,150.0	Ps.	9,285.0
March 30, 2017(2)	Ps.	71.0		N/A	Ps.	9,554.1

(1) February 6, 2017 is the latest day for which trading prices are available for Nortel Preferred Shares on the BYMA. Argentine securities markets are substantially smaller, less liquid and more volatile than major securities markets in the U.S. Since their listing on the BYMA, the Nortel Preferred Shares have been illiquid.

(2) March 30, 2017 is the date preceding the date the Preliminary Reorganization Agreement was approved by the Board of Directors of the Participating Companies.

The equivalent basis share price of Nortel Preferred Shares represents the applicable market price for Telecom Class B Shares on the corresponding date, multiplied by the Preferred B Share Distribution Ratio of 134.565053 Telecom Class B Shares for each Nortel Preferred Share.

**Nortel ADSs and Telecom ADSs**

The following table presents the closing market prices per share as reported on the NYSE for Telecom ADSs and Nortel ADSs as of March 30, 2017:

	<b>Telecom ADSs</b>		<b>Nortel ADSs</b>		<b>Nortel ADSs Equivalent Basis</b>	
	<b>Historical</b>					
March 30, 2017(1)	U.S.\$	22.8	U.S.\$	25.6	U.S.\$	30.6

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(1) March 30, 2017 is the date preceding the date the Preliminary Reorganization was approved by the Board of Directors of the Participating Companies.

The equivalent basis share price of Nortel ADSs represents the applicable market price for Telecom ADSs on the corresponding date, multiplied by the ADS Distribution Ratio of 1.34565053 Telecom ADSs for one Nortel ADS.

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**COMPARATIVE HISTORICAL AND EQUIVALENT BASIS PER SHARE DATA**

The following comparative historical and equivalent basis per share data should be read in conjunction with the Telecom Audited Financial Statements and the Nortel Audited Financial Statements incorporated by reference into this prospectus and the Sofora Audited Financial Statements attached to this prospectus as Annex B. No pro forma per share data is provided in this section for the reasons described in section Summary Pro Forma Financial Information below.

The following table presents historical, historical as adjusted (in the case of Sofora) and equivalent per share data. The amounts presented reflect the following:

- Historical earnings per Telecom share (including Telecom's Class A, B and C ordinary shares) is calculated by dividing net income attributable to Telecom (controlling interest) by the weighted average number of ordinary shares outstanding (969,159,605) during the year.
- Historical earnings per Nortel Preferred B share is calculated by dividing net income attributable to Preferred B Shares (approximately Ps.1,073 million) by the weighted average number of Preferred B Shares outstanding (1,470,455) during the year.
- Historical earnings per ordinary share of Sofora, as presented in the Sofora Audited Financial Statements, is calculated by dividing net income attributable to Sofora (controlling interest) by the weighted average number of total ordinary shares of Sofora (439,702,000) during the year.
- Historical dividend per Telecom share is calculated by dividing total dividends paid by Telecom to its shareholders by the weighted average number of shares outstanding during the year.
- Historical dividend per Nortel Preferred Share is calculated by dividing total dividends paid to holders of Nortel Preferred Shares by the weighted average number of Nortel Preferred Shares outstanding during the year.
- Historical dividend per ordinary share of Sofora is calculated by dividing total dividends paid by Sofora to its shareholders by the weighted average number of total ordinary shares of Sofora during the year.

- Historical book value per Telecom share is computed by dividing total shareholders' equity attributable to Telecom (controlling interest) by the number of historical shares outstanding as of December 31, 2016.
- Historical book value per Preferred B share of Nortel is computed by dividing total shareholders' equity attributable to Nortel Preferred B Shares (approximately Ps.5,286 million) by the number of historical Preferred B shares outstanding as of December 31, 2016.
- Historical book value per ordinary share of Sofora, as presented in the Sofora Audited Financial Statements, is computed by dividing total shareholders' equity attributable to Sofora (controlling interest) by the number of total historical shares outstanding as of December 31, 2016.
- Equivalent basis information of Nortel Preferred B Shares reflects the historical amounts for Telecom Shares multiplied by the Nortel's Preferred B Share Distribution Ratio, and the equivalent basis information of Sofora's ordinary shares reflects Telecom's historical amounts multiplied by the Ordinary Distribution Ratio. For a comprehensive understanding of the Reorganization effect, this equivalent basis data should be read in conjunction with the market equivalent basis information provided in the section Comparative per Share Market Data.



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For the year ended December 31, 2016

	Telecom Shares (Classes A, B and C)		Nortel Preferred Shares			Sofora Ordinary Shares		
	Historical		Historical	Equivalent Basis	Historical	Historical as adjusted(1)	Equivalent Basis	
Earnings per share (Basic and Diluted)(2)	Ps. 4.10		Ps. 729.73	Ps. 551.92	Ps. 2.64	Ps. 3.89	Ps. 4.68	
Dividend per share	Ps. 2.06		Ps. 363.59	Ps. 277.69	Ps. 1.41	Ps. 2.08	Ps. 2.35	
Book value per share	Ps. 19.95		Ps. 3,594.95	Ps. 2,684.75	Ps. 13.35	Ps. 19.63	Ps. 22.75	

(1) Historical as adjusted data of Sofora includes the effect of the amortization in full of 140,704,640 Sofora's ordinary shares subsequent to December 31, 2016 and prior to the Reorganization Effectiveness Date (see The Reorganization Conditions to Effectiveness of the Reorganization in this prospectus).

(2) Since Telecom, Nortel and Sofora have no dilutive potential stock issuance, there are no dilutive earnings per share amounts.

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**UNAUDITED SUMMARY PRO FORMA FINANCIAL INFORMATION**

No pro forma financial information of Telecom is presented in this section because there are no significant differences between the historical consolidated financial information and unaudited pro forma combined financial information of Telecom, including the pro forma adjustments giving effect to the Reorganization.

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**RISK FACTORS**

*In addition to the other information included in this prospectus, including the matters addressed under Cautionary Statement Concerning Forward-Looking Statements, you should carefully consider the following risks before deciding whether to vote to adopt the Reorganization of the Absorbed Companies into Telecom as contemplated by the Preliminary Reorganization Agreement. You should also consider the other information in this prospectus and the other documents incorporated by reference into this prospectus, including the Preliminary Reorganization Agreement, a copy of which is attached to this prospectus as Annex A. See Where You Can Find More Information.*

**Risks Related to The Reorganization**

***Market fluctuations may reduce the market value of the Reorganization consideration we are offering to holders of Nortel Preferred Shares and Nortel ADSs because the Preferred B Share Distribution Ratio and the ADS Distribution Ratio contemplated by the Reorganization are fixed***

Upon the consummation of the Reorganization, holders of Nortel Preferred Shares and Nortel ADSs will receive consideration that consists of a specified number of Telecom Class B Shares or Telecom ADSs, respectively, rather than a number of Telecom Class B Shares or Telecom ADSs with a specified market value. As a result, the market value of Telecom Class B Shares and of Telecom ADSs that holders of Nortel Preferred Shares and Nortel ADSs receive in the Reorganization will fluctuate depending upon the market value of Telecom's shares on the BYMA and on the NYSE, as applicable. Accordingly, the market value of Telecom Class B Shares and of Telecom ADSs at the time at which they are received by holders of Nortel Preferred Shares Nortel ADS may vary significantly from their market value on the date of this prospectus and at the time of the closing of the Reorganization.

***The value of the Telecom Class B Shares, including those represented by Telecom ADSs, being offered will fluctuate due to movements in exchange rates***

There will be no adjustment to the stock consideration offered for changes in the market price of either Nortel Preferred Shares and Nortel ADSs, on the one hand, or Telecom Class B Shares and Telecom ADSs, on the other, or for movements in exchange rates. Accordingly, the market value of the Telecom Class B Shares and Telecom ADSs that holders of Nortel Preferred Shares and Nortel ADSs, respectively, will receive upon the consummation of the Reorganization and the exchange rate between the peso and the U.S. dollar at the time could vary significantly from the market value of Telecom Class B Shares and Telecom ADSs and the peso-to-U.S. dollar exchange rate on the date of this prospectus. The market value of the Telecom Class B Shares and Telecom ADSs to be distributed in the Reorganization and the peso-to-U.S. dollar exchange rate will also continue to fluctuate after the consummation of the Reorganization. For historical exchange rate information, please see Exchange Rates. You should obtain current market quotations for Nortel Preferred Shares and Nortel ADSs, on the one hand, and Telecom Class B Shares and Telecom ADS, on the other.

*Investors who own Nortel Preferred Shares but who do not wish to hold Telecom Class B Shares may sell the Telecom Class B Shares they receive or expect to receive in the Reorganization or sell their Nortel Preferred Shares prior to the consummation of the Reorganization. This may put downward pressure on the market price of the Telecom Class B Shares that holders of Nortel Preferred Shares will receive in the Reorganization. Arbitrageurs may also adversely influence the price of the Telecom Class B Shares*

Some holders of Nortel Preferred Shares may wish to sell their Nortel Preferred Shares prior to the consummation of the Reorganization, or, in the case of holders of Nortel Preferred Shares, the Telecom Class B Shares that they will receive in the Reorganization. In addition, the market price of the Nortel Securities may be adversely affected by arbitrage activities prior to the consummation of the Reorganization. These sales or the prospect of future sales, as well as arbitrage activity, could adversely affect the market price of Telecom Class B Shares.

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***The Reorganization is subject to regulatory and shareholder approvals which may not be obtained, and any delay in completing the Reorganization may reduce or eliminate the benefits expected to be achieved as a result of the Reorganization***

The Reorganization is subject to the receipt of the requisite approvals by the shareholders of the Participating Companies, which may not be obtained or may be delayed. In the event one or more of these approvals are not obtained, the Reorganization may not be consummated or its terms and conditions may be modified from the current agreement.

In addition to the shareholder approvals, the Reorganization requires certain regulatory and administrative approvals, some of which are beyond Telecom and Nortel's control and any of which may prevent, delay or otherwise materially adversely affect the consummation of the Reorganization. The consummation of the Reorganization requires certain authorizations from ENACOM, the receipt of an administrative consent from the CNV, the registration of the Final Reorganization Agreement with the Public Registry of the City of Buenos Aires, and the cancellation of the Nortel Preferred Shares requires the approval by the BYMA. Additional authorizations may be necessary from other governmental or regulatory entities to consummate the Reorganization. None of the Participating Companies can predict whether or when these approvals will be obtained. Furthermore, the requirements for obtaining the required approvals, consents or clearances could delay the consummation of the Reorganization for a significant period of time or prevent it from occurring at all. Any delay in completing the Reorganization could prevent or delay the combined company from realizing some or all of the anticipated cost savings, synergies, growth opportunities and other benefits that Telecom and Nortel expect to achieve if the Reorganization is successfully completed within the expected time frame.

***If the Reorganization is not consummated, holders of Nortel Preferred Shares will continue to be non-voting shareholders of Nortel***

If the Reorganization is not consummated, holders of Nortel Preferred Shares will continue to be non-voting shareholders in Nortel with no influence to the outcome of any matters that are or can be subject to shareholder approval, except in the event of certain payment defaults or breaches of certain covenants. Holders of Nortel Preferred Shares have no rights over the appointment of directors, acquisition or disposition of substantial assets, the issuance of capital stock and other securities and the payment of dividends on Nortel Securities, except in the event of certain payment defaults or breaches of certain covenants.

If the Reorganization is not approved, Sofora intends to retain ownership of all of its Telecom Securities and will continue to treat Telecom, Nortel and Personal as subsidiaries. Furthermore, Sofora may decide to cause Nortel to delist from any or all of the NYSE, the BYMA and Luxembourg Stock Exchange, withdraw the Nortel Shares from the public offering regime in Argentina or terminate the Nortel Deposit Agreement and deregister the Nortel Preferred Shares and the Nortel ADSs under the Exchange Act. The decision would depend on, among other factors, Sofora's management's evaluation of the public float, trading volumes and liquidity of the Nortel Securities and the expenses of the Nortel Securities listed. In order to withdraw the Nortel Shares from the public offering regime in Argentina under Argentine law, Nortel and/or Sofora would need to initiate a mandatory tender offer whereby they offer all Nortel shareholders that voted against the withdrawal of Nortel Shares the right to sell their Nortel Shares at a fair price (*precio equitativo*) based on certain parameters including the six-month weighted trading average value. The liquidity of any Nortel Security outstanding would be materially and adversely affected upon the withdrawal from the public offering regime, deregistration or delisting from either or any of the BYMA, the NYSE and the Luxembourg Stock Exchange, as holders of Nortel Securities would likely no longer have an active trading market in which to sell such securities.

*The businesses of Telecom and Personal and the Telecom Class B Shares and Nortel Securities may be adversely impacted if the Reorganization is not consummated*

There can be no assurance that the Reorganization will occur, as the Reorganization is subject to certain conditions including shareholders , regulatory and administrative approvals, among others. We cannot guarantee that these conditions will be satisfied and that the Reorganization will be successfully completed. The failure to consummate the Reorganization will prevent Telecom from reaping the expected benefits of the Reorganization, which could adversely affect its results of operations and financial condition and could adversely affect the price of the Telecom Class B Shares and the Nortel Securities.

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In the case of Nortel Preferred Shares particularly, Nortel incurs considerable costs in order to maintain the listing of these shares on the BYMA, NYSE and the Luxembourg Stock Exchange, and if the Reorganization is not consummated, Nortel may need to consider reducing the markets in which its shares are listed.

***Telecom may fail to realize the synergies and benefits anticipated from the Reorganization***

The Reorganization may not achieve the synergies and benefits that the Participating Companies anticipate. Telecom may face operational challenges as a result of the Reorganization, including difficulties integrating and developing Personal's technology platform. If Telecom experiences significant disruptions in their technology platform as a result of new technology acquired, Telecom's business, results of operations and financial condition could be adversely affected. In addition, higher than expected overhead and administrative expenses or an inability to eliminate duplicative overhead and administrative functions could cause Telecom not to realize the expected cost savings and synergies and leave Telecom's business less profitable.

***The receipt of Telecom Class B Shares or Telecom ADSs in the Reorganization may be taxable to Nortel ADS holders under U.S. federal income tax law***

There is no direct guidance for U.S. federal income tax purposes on the simultaneous mergers of multiple companies into a single company pursuant to the Argentine Corporations Law. Consequently, there is no assurance that the Reorganization will be a tax-free reorganization for U.S. federal income tax purposes. We do not plan on seeking a legal opinion as to whether the Reorganization will qualify as a tax-free reorganization for U.S. federal income tax purposes.

The U.S. federal income tax consequences of the Reorganization are complex. You should read the section entitled "U.S. Federal Income Tax Consequences" for more information on the U.S. federal income tax consequences of the Reorganization, and you should consult your own tax advisors regarding the tax consequences of the Reorganization in your particular circumstances.

***Certain rights of holders of Nortel Preferred Shares and Nortel ADSs will change as a result of the Reorganization***

Following completion of the Reorganization, holders of Nortel Preferred Shares and Nortel ADSs will no longer be holders of securities of Nortel. There will be certain differences between your current rights as a holder of Nortel Preferred Shares or Nortel ADSs, on the one hand, and the rights to which you will be entitled as a holder of Telecom Class B Shares, on the other hand. For a more detailed discussion of the differences in the rights of holders of Nortel Preferred Shares (including Nortel ADSs) and Telecom Class B Shares, see "Comparison of the Rights of Shareholders of Telecom and Nortel" in this prospectus.

*Though the Reorganization qualifies as a tax-free reorganization under Argentine law, we can provide no assurances as to the tax treatment that the Argentine tax authorities will give to the Reorganization*

Though Nortel expects that all requirements for the Reorganization to qualify as a tax-free reorganization will be met in accordance with Article 77 of the Argentine Income Tax Law, no assurances can be given as to the tax treatment that Argentine tax authorities will give to the Reorganization and whether and when those requirements will be met. If the Reorganization qualifies as a tax-free reorganization under Argentine law, no Argentine capital gains or withholding tax would apply to investors receiving Telecom Class B Shares in the Reorganization in exchange for their Nortel Securities. See [Argentine Tax Consequences Tax Consequences Related to the Reorganization](#) for more detail on the issues related to the tax-free treatment of the Reorganization. If the Reorganization does not qualify as a tax-free reorganization, each transfer of assets and liabilities to Telecom caused by the Reorganization shall be subject to tax in accordance with the respective applicable law and regulations and we may be required to revise Telecom's, Nortel's, Sofora's and Personal's tax return filings in order to reflect the fact that the proposed Reorganization would not be tax-free, which may have an adverse impact on Telecom's financial condition and results of operations.



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***The integration of the Absorbed Companies into Telecom is a complex process that may affect the operations and results of operation of Telecom***

The integration of the operations, personnel and culture of each of the Absorbed Companies is a complex process that is subject to important challenges that may not be successful, incur unforeseen costs or experience unexpected delays. In particular, Telecom may experience difficulties in the integration of internal standards, controls, procedures, practices, policies, business systems, IT systems, customer service, personnel, networks, suppliers, technology and infrastructure. Any of these could adversely affect the anticipated strategic and financial benefits from the Reorganization.

**Risks Related to Argentina**

You should read and consider the risk factors specific to Argentina. These risks are described in the Telecom 2016 Form 20-F, the Nortel 2016 Form 20-F and in other documents that are incorporated by reference into this document. See [Where You Can Find More Information](#) for more detail on the information incorporated by reference in this document.

**Risks Related to Nortel's Business**

You should read and consider the risk factors specific to Nortel's business. These risks are described in the Nortel 2016 Form 20-F, and in other documents that are incorporated by reference into this document. See [Where You Can Find More Information](#) for more detail on the information incorporated by reference in this document.

**Risks Related to Telecom's Shares and Business**

You should read and consider the risk factors specific to Telecom's shares and business. These risks are described in the Telecom 2016 Form 20-F and in other documents that are incorporated by reference into this document. See [Where You Can Find More Information](#) for more detail on the information incorporated by reference in this document.

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**THE NORTEL PREFERRED SPECIAL MEETING**

**Date, Time, Place, Purpose and Agenda**

The Nortel Preferred Special Meeting will be held on \_\_\_\_\_, 2017, at \_\_\_\_\_, Buenos Aires time, at Alicia Moreau de Justo 50, Buenos Aires, Argentina.

The purpose of the Nortel Preferred Special Meeting is to approve the terms of the Nortel Reorganization and the loss of preferential rights of the Nortel Preferred Shares upon receiving Telecom Class B Shares. In addition, Nortel will convene the Nortel Preferred Special Meeting to approve the deletion of Section 9 of the terms of issuance of the Nortel Preferred Shares.

**Who Can Vote**

All holders of Nortel Preferred Shares who are shareholders of record as of close of business, Buenos Aires time, on the date that is three business days prior to the date of the Nortel Preferred Special Meeting are entitled to vote at the Nortel Preferred Special Meeting. Holders may cast one vote for each Nortel Preferred Share that they own on the date indicated above. Such voting rights are governed by Section 250 of the Argentine Corporations Law and, in the case of the Nortel ADSs, the Nortel Deposit Agreement.

*Holders of Nortel Preferred Shares.* Holders of Nortel Preferred Shares who intend to attend the Nortel Preferred Special Meeting must notify Nortel of their intention to do so at least three business days prior to the date of such meeting through a written notice signed by the holder of the Nortel Preferred Shares or an authorized representative acting on such holder's behalf delivered to Nortel. Along with the written notice, a statement of account crediting the ownership of the shares (or a beneficial interest therein) issued by Caja de Valores S.A.

*Holders of Nortel ADSs.* In order to provide instructions to the Nortel ADS Depository to exercise voting rights at the Nortel Preferred Special Meeting by proxy, holders of Nortel ADSs whose ownership is directly or indirectly recorded in the ADR Register (as defined in the Nortel ADS Depository Agreement) of the Nortel ADS Depository must follow the instructions described under \_\_\_\_\_ Manner of Voting Holders of Nortel ADSs Whose Ownership is Directly Recorded in the Nortel ADS Depository's Nortel ADR Register or \_\_\_\_\_ Manner of Voting Beneficial Owners of Nortel ADSs Whose Ownership is Indirectly Recorded in the Nortel ADS Depository's Nortel ADR Register, as applicable.

**Vote Required for Adoption of Decision to Reorganize**

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In order to effect the Reorganization, holders of Nortel Preferred Shares and Nortel ADSs must adopt the decision to consent to the terms of the Nortel Reorganization and the loss of preferential rights of the Nortel Preferred Shares upon receiving Telecom Class B Shares at the Preferred B Share Distribution Ratio (or in the case of the holders of Nortel ADSs, at the ADS Distribution Ratio). The decision to consent to the terms of the Nortel Reorganization requires the approval of holders representing at least two-thirds of the outstanding Nortel Preferred Shares pursuant to Section 9(i) of the terms of issuance of the Nortel Preferred Shares, and the loss of preferential rights of the Nortel Preferred Shares requires the approval of holders representing more than 50% of the Nortel Preferred Shares present at the Nortel Preferred Special Meeting.

In order to have a quorum at the Nortel Preferred Special Meeting, at least 50% of the outstanding Nortel Preferred Shares must be present or represented at the meeting following the first call, or at least one Nortel Preferred Share must be present or represented at the meeting following the second call if a quorum was not reached on the first call.

### **Manner of Voting**

*Holders of Nortel Preferred Shares.* Holders of Nortel Preferred Shares may submit their vote for or against the submitted proposal or abstain from voting at the Nortel Preferred Special Meeting in person or by personal proxy. All Nortel Preferred Shares entitled to vote and represented by duly completed proxies received prior to the Nortel Preferred Special Meeting in accordance with the applicable formalities, and not revoked, will be voted at the Nortel Preferred Special Meeting as instructed on the proxies

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Directors, members of Telecom's supervisory committee, managers and other employees of Nortel may not be proxies. Proxies may be granted through private instrument with the signature certified by a notary public and legalized by apostille if certified abroad. **This prospectus does not constitute a proxy statement. We are not asking you for a proxy, and you are requested not to send us a proxy.**

*Holders of Nortel ADSs Whose Ownership is Directly Recorded in the Nortel ADS Depositary's Nortel ADR Register.*  The Nortel ADS Depositary may, after consultation with Nortel if practicable, fix a record date (which, to the extent applicable, shall be as near as practicable to any corresponding record date set by the Nortel) for the determination of the holders of Nortel ADSs who are entitled to give instructions for the exercise of any voting right. Only the holders of Nortel ADSs on such record date shall be entitled to give such voting instructions.

As soon as practicable after receipt from Nortel of notice of any meeting or solicitation of consents or proxies of holders of Nortel Preferred Shares, the Nortel ADS Depositary shall distribute to holders of Nortel ADSs a notice stating (i) such information as is contained in such notice and any solicitation materials, (ii) that each Nortel ADS holder on the record date set by the Nortel ADS Depositary therefor will, subject to any applicable provisions of Argentine law, be entitled to instruct the Nortel ADS Depositary as to the exercise of the voting rights, if any, pertaining to the Nortel Preferred Shares represented by the ADSs and (iii) the manner in which such instructions may be given. Upon receipt of instructions of a Nortel ADS holder on such record date in the manner and on or before the date established by the Nortel ADS Depositary for such purpose, the Nortel ADS Depositary shall endeavor insofar as practicable and permitted under the provisions of or governing the Nortel Preferred Shares to vote or cause to be voted the Nortel Preferred Shares underlying the Nortel ADSs in accordance with such instructions. The Nortel ADS Depositary will not itself exercise any voting discretion in respect of any Nortel ADSs.

There is no guarantee that Nortel ADS holders generally will receive the notice described above with sufficient time to enable such holder to return any voting instructions to the Nortel ADS Depositary in a timely manner.

Notwithstanding anything else contained in the Nortel Deposit Agreement, the Nortel ADS Depositary shall not have any obligation to take any action with respect to any shareholders meeting, or solicitation of consents or proxies, of holders of shares if the taking of such action would violate U.S. or Argentine laws.

*Beneficial Owners of Nortel ADSs Whose Ownership is Not Reflected in their Name on the Books of the Nortel ADS Depositary.*  Beneficial owners of Nortel ADSs whose Nortel ADSs are held through a bank, broker, custodian or other nominee must follow voting instructions of such bank, broker, custodian or other nominee regarding how and when to provide voting instructions with respect to the Nortel Preferred Special Meeting. Beneficial owners of Nortel ADSs should contact the bank, broker, custodian or other nominee through which their Nortel ADSs are held for relevant instructions and deadlines.

**Other Shareholders Meetings of the Absorbed Companies**

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In addition to the Nortel Preferred Special Meeting and the Nortel Common Special Meeting, each of the Absorbed Companies will convene the required general shareholders meetings to approve the Reorganization. For more information, see The Reorganization Shareholders Meetings in connection with the Reorganization in this prospectus.

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**THE REORGANIZATION**

*The following is a description of the material aspects of the Reorganization. While we believe that the following description covers the material terms of the Reorganization, the description may not contain all the information that is important to you. We encourage you to read carefully this entire prospectus, including the Preliminary Reorganization Agreement, a copy of which is attached to this prospectus as Annex A, for a more complete understanding of the Reorganization.*

**Overview**

The Reorganization is subject to the terms and conditions set forth in the Preliminary Reorganization Agreement. On March 31, 2017, each of the Boards of Directors of the Participating Companies approved the Preliminary Reorganization Agreement and the transactions contemplated thereunder as they related to their own operations. The main purpose of the Reorganization is to absorb and consolidate the operations, assets and liabilities of the Absorbed Companies into Telecom, as the surviving entity that will continue to be known as Telecom Argentina S.A. As a consequence of the Reorganization, (a) Nortel, Sofora and Personal will be dissolved without liquidation and cease to exist, (b) all issued Nortel Securities, Sofora Common Shares and shares of capital stock of Personal will be cancelled and (c) Telecom will assume all of the rights and obligations of each of the Absorbed Companies. Pursuant to the terms of the Reorganization, Nortel will (i) convert a portion of its Telecom Class A Shares to Telecom Class B Shares at the ratio of one Telecom Class B Share for each Telecom Class A Share, (ii) distribute its Telecom Class B Shares (including all of the Telecom Class B Shares resulting from the conversion of Nortel's Telecom Class A Shares) to the holders of Nortel Preferred Shares at the Preferred B Share Distribution Ratio, (iii) distribute its remaining Telecom Class A Shares to the holders of Sofora Common Shares at the Ordinary Distribution Ratio and (iv) cancel all Nortel Securities. If the Reorganization is consummated, holders of Nortel Securities will cease to have any equity interest in Nortel.

The distribution of the Telecom Class B Shares to the holders of Nortel Preferred Shares and Nortel ADS holders will be made at the Preferred B Share Distribution Ratio and the ADS Distribution Ratio, and the distribution of the Telecom Class A Shares to Fintech will be made at the Ordinary Distribution Ratio.

Telecom will not issue new Telecom Securities in connection with the Reorganization. Only the Telecom Securities previously issued and currently held by Nortel will be distributed to its shareholders as a result of the Reorganization.

If the Reorganization is not consummated, holders of Nortel Securities will remain holders of Nortel Shares or Nortel ADSs, as the case may be. Currently, there are 1,470,455 Nortel Preferred Shares (representing 21.62% of the total capital stock of Nortel), of which 99.8% (representing 1,467,692 Nortel Preferred Shares or 29,353,840 ADSs) are in ADS form.

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On April 5, 2017, Telecom Nortel and Personal filed a form reorganization prospectus (*prospecto de fusión*) with the CNV, which describes the terms of the Reorganization. The CNV authorized publication of the Argentine prospectus related to the Reorganization on \_\_\_\_\_, 2017.

The Boards of Directors of the Participating Companies have called for general shareholders meetings to consider and approve the Reorganization, which are expected to be held on May 22, 2017 for Nortel and Sofora, and on May 23, 2017 for Telecom and Personal.

### **Background of the Reorganization**

#### *Nortel*

Nortel was organized by a consortium of Argentine and international investors to acquire a controlling interest in the common stock of Telecom as the first step in Argentina's privatization of its fixed-link public telecommunications services and basic telephone services. See Item 7 Major Shareholders and Related Party Transactions of the Nortel 2016 Form 20-F. As of December 31, 2016, Nortel owned approximately 7.64% Telecom Class B Shares and 100% of Telecom Class A Shares collectively representing 54.74% of the common

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stock of Telecom. However, Nortel's ownership of the outstanding Telecom Class A Shares and Telecom Class B Shares amounts to 55.60% of Telecom's outstanding shares as of December 31, 2016 considering the 15,221,373 Class B Ordinary Shares which were repurchased by Telecom and are held in treasury. Nortel's sole activity is owning such stock and its sole source of cash income is cash dividends paid on such stock. See Item 10 Additional Information Bylaws and Terms and Conditions of Issuance of Series B Preferred Shares Nortel's Capital Stock of the Nortel 2016 Form 20-F.

Nortel is a stock corporation (*sociedad anónima*) organized under the laws of Argentina on October 31, 1990. The duration of Nortel is 99 years from such date of organization. The Company's business offices are located at Alicia Moreau de Justo 50 (C1107 AAB) Buenos Aires, Argentina and its telephone number is (54-11) 4968-3631. Nortel's operations are limited only by its corporate purpose as stated in its bylaws, which is to invest in companies, other than financial services companies generally, and to invest in Telecom specifically. Nortel Inversora S.A.'s commercial names are Nortel Inversora outside of Argentina and Nortel or Nortel Inversora in Argentina.

### **Telecom**

Telecom is one of the largest private-sector companies in Argentina in terms of revenues, net income, capital expenditures and number of employees. Telecom has a non-expiring license to provide fixed-line telecommunications services in Argentina, and it also provides other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and Internet services. Through its subsidiaries, it also provides mobile telecommunications services (primarily through its wholly owned subsidiary Personal) and international wholesale services.

At Telecom's ordinary and extraordinary shareholders' meeting held on June 22, 2015, the shareholders approved amendments to Telecom's corporate purpose to include the provision of Audiovisual Communication Services. Telecom obtained authorization for the amendments from the Federal Authority for Information and Communication Technologies (*Autoridad Federal de Tecnologías de la Información y las Comunicaciones*, or AFTIC, the predecessor of ENACOM) and the CNV. IGJ registered the amendment to Telecom's bylaws on September 26, 2015.

Telecom is incorporated as a *sociedad anónima* under the laws of Argentina. The duration of Telecom is 99 years from the date of registration with the Public Registry of the City of Buenos Aires (July 13, 1990). Telecom conducts its business under the commercial name Telecom. Its principal executive offices are located at Alicia Moreau de Justo 50, City of Buenos Aires, Argentina (C1107AAB). Telecom's telephone number is (54-11) 4968-4000. Its website address is [www.telecom.com.ar](http://www.telecom.com.ar). None of the information available on Telecom's website or elsewhere will be deemed to be included or incorporated by reference into this prospectus.

### **Sofora**

The purpose of Sofora is to invest in Nortel. Sofora owns 100% of the common stock of Nortel as of December 31, 2016. Sofora's sole activity is owning such stock and its sole source of cash income is cash dividends paid on such stock.



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Sofora is incorporated as a *sociedad anónima* under the laws of Argentina. The duration of Sofora is 99 years from the date of registration (September 25, 2003).

### ***Personal***

Personal is a wholly owned subsidiary of Telecom that provides mobile telecommunications services in Argentina and Paraguay and mobile financial services in Paraguay.

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**Reorganization Distribution**

Pursuant to the terms and conditions of the Reorganization, the Telecom Class A Shares and the Telecom Class B Shares held by Nortel will be distributed among its respective shareholders as follows, (i) holders of Nortel Preferred Shares will receive Telecom Class B Shares at the Preferred B Share Distribution Ratio, and (ii) Fintech as indirect holder of 100% of the ordinary voting shares of Nortel, through Sofora, will receive Telecom Class A Shares at the Ordinary Distribution Ratio. As a result, up to 197,871,855 Telecom Class B Shares, representing approximately 20.42% of the total outstanding capital stock of Telecom, shall be distributed to holders of Nortel Preferred Shares. In order to effect such distribution to Nortel Preferred Shares under the form of Telecom Class B Shares, (i) Nortel will convert up to 161,039,447 of its Telecom Class A Shares to Telecom Class B Shares for distribution to holders of Nortel Preferred Shares, and (ii) Nortel will distribute to holders of Nortel Preferred Shares and Nortel ADSs all of the 36,832,408 Telecom Class B Shares held by Nortel.

No additional distribution or consideration in cash or in kind will be made or paid by Nortel or Telecom to the shareholders of Nortel in connection with the Reorganization or Nortel's distribution of Telecom Class B Shares (other than as a result of the conversion of Telecom Class A Shares into Telecom Class B Shares). No fractional Telecom B Shares or Telecom ADSs will be issued. Fractional entitlements to Telecom Class B Shares and Telecom ADSs will be aggregated and sold. The net proceeds from the sale of fractional entitlements to Telecom Class B Shares and Telecom ADSs will be distributed on a pro rata basis to the holders of Nortel Preferred Shares and Nortel ADSs, as the case may be, that otherwise would have been entitled to receive a fraction of such securities.

The Telecom Class B Shares to be distributed by Nortel in connection with the Reorganization will have the same rights (including the right to receive dividends) as the Telecom Class B Shares prior to the Reorganization, as set forth in Telecom's bylaws (*estatutos sociales*), except as may be amended at an extraordinary general meeting of Telecom Shareholders. See The Reorganization Effects of the Reorganization Amendment to Telecom's Bylaws.

The cancellation of Nortel Securities and their exchange for Nortel's Telecom Class B Shares as a result of the Reorganization will take place after the receipt of the administrative consent from the CNV in connection with the Reorganization and the Final Reorganization Agreement is registered with the Public Registry of the City of Buenos Aires.

The Telecom Class B Shares to be distributed in the Reorganization will be entitled to receive dividends in the same manner as the other Telecom Class B Shares in circulation prior to the Reorganization.

**Effects of the Reorganization**

*General Effects*

As a result of the Reorganization, Telecom will assume all of the assets, liabilities and operations of Sofora, Nortel and Personal, other than the shares of Telecom held by Nortel prior to the Reorganization. Telecom will not be required to issue new shares of its capital stock in connection with the Reorganization.

***Personal's Debt Obligations***

On December 10, 2015, Personal issued (i) Class I notes with an initial par value of Ps.571,505,000 due June 12, 2017, (ii) Class II notes with an initial par value of Ps.149,000,000 due December 10, 2018, (iii) Class III notes with an initial par value of Ps.721,969,404 due May 16, 2018 and (iv) Class IV notes with an initial par value of U.S.\$77,900,400 due November 16, 2018 (collectively, the Notes ).

In connection with the Reorganization, Telecom has agreed to assume on the Reorganization Effectiveness Date all of Personal's rights and obligation arising from the Notes and their trust or fiscal agency agreements, if any. As a result of such assumption and the universal succession by Telecom of all assets and liabilities of Personal pursuant to the terms of the Reorganization and Argentine law, the Reorganization is a merger authorized by the terms and conditions of the Notes and their holders will not have opposition rights with respect to the Reorganization.

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In October 2016, Personal and the International Finance Corporation entered into a U.S.\$400 million, six-year loan agreement (the IFC Loan ), payable in eight equal semi-annual installments beginning in the first quarter of 2019. The IFC Loan will be used to expand the 4G LTE network and to refinance short-term financial liabilities.

Additionally, in April 2017, Personal and the Inter-American Investment Corporation, a member of the Inter-American Development Bank Group, entered into a U.S.\$100 million, six-year loan agreement (the IIC Loan ), payable in eight equal semi-annual installments beginning in the first quarter of 2019. The IIC Loan will be used to expand the 4G LTE network and to finance working capital and other financial needs.

As a result of the Reorganization, Telecom shall assume all obligations of Personal, including payment obligations and covenants, under the Notes, the IFC Loan and the IIC Loan.

*Sofora's Bono de Goce*

In March 2017, W de Argentina Inversiones S.A. (WAI ) offered to Sofora and Sofora accepted with the consent of Fintech Telecom, LLC (Fintech ), the controlling shareholder of Sofora, an offer to amortize, in two tranches, all of the shares of capital stock issued by Sofora and owned by WAI, equal to 140,704,640 shares. As a result of the amortization, Sofora agreed to pay WAI an amount equal to the par value of WAI's shares of capital stock issued by Sofora, such amount being equivalent to Ps.140,704,640, and issue in the name of WAI one or more dividend certificates (any such certificate, a *Bono de Goce* ) evidencing WAI's rights to dividends up to an aggregate amount of up to U.S.\$470 million less the amounts paid to amortize the shares of Sofora owned by WAI, plus certain incremental amounts, **with preference over the Telecom Class A Shares to be received by the shareholders of Sofora in the Reorganization.** The amortization of the first tranche of shares of capital stock of Sofora owned by WAI and representing 17% of the issued and outstanding capital stock of Sofora is expected to occur during May 2017, after which a *Bono de Goce* in the amount of U.S.\$249,687,500 less the U.S. dollar equivalent to Ps.74,749,340 will be issued to WAI. The amortization of the second tranche of shares of capital stock of Sofora owned by WAI and representing an additional 15% of the issued and outstanding capital stock of Sofora as of the date of this prospectus is subject to the authorization of ENACOM. If this second amortization occurs, an additional *Bono de Goce* will be issued in an amount equal to U.S.\$220,312,500 less the U.S. dollar equivalent to Ps.65,955,300. Upon the completion of the amortizations, Fintech will be the sole shareholder of Sofora.

The principal terms and conditions of each *Bono de Goce* provide that: (i) dividend payments of up to the maximum amount under the *Bono de Goce* will be made only if and when Sofora resolves to pay a dividend, (ii) dividend payments made by Sofora shall be paid to the holder of the *Bono de Goce* with priority over to all other shareholders of Sofora, (iii) all dividends to be paid under the *Bono de Goce* will be paid by Sofora with liquid and realized profits (*ganancias realizadas y líquidas*), (iv) the maximum amount of dividends to be collected under the *Bono de Goce* shall accrete every year on June 1 on the amount of dividends that remain unpaid by Sofora as of May 31 of the relevant year at a rate that will be set by the Board of Directors of Sofora and WAI, (v) Sofora has a right to redeem the *Bono de Goce* at any time after the later of (x) 36 months from the date of issuance or (y) the payment of 60% of the maximum amount of dividends under the *Bono de Goce* and (vi) in the event that Sofora is absorbed by Telecom pursuant to the Reorganization, the preference over dividends provided in the *Bono de Goce* will extend only to the shares received by Fintech as a result of the Reorganization, which will be the Telecom Class A Shares (which will be distributed exclusively to Fintech) but not to the Telecom Class B Shares.

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If the Reorganization is consummated, Telecom will assume, by universal succession, all of the assets, liabilities, operations and activities, and will succeed to all of the rights and obligations, of Sofora as issuer of the *Bono de Goce*. In no event shall the dividend rights under the *Bono de Goce* affect the dividend rights of holders of Telecom Class B Shares.

### *Amendment to Telecom's Bylaws*

In accordance with the terms and conditions of the Preliminary Reorganization Agreement, Telecom will amend its bylaws such that: (i) the clauses regulating the amortization of shares and the issuance of *bonos de goce* in accordance with Articles 223 and 228 of the Argentine Corporations Law are in alignment with terms of Sofora's *Bono de Goce*, (ii) the conversion of shares in one class of shares to another class of shares may be done more expeditiously by notice to the Board of Directors without the need for a shareholders meeting, and (iii) the Telecom Class A Shares may be converted into Telecom Class B shares for distribution to holders of Nortel Preferred Shares.

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**Applicable Legal Framework**

The Reorganization will be implemented in accordance with Article 82, Article 83 and the remaining applicable provisions of the Argentine Corporations Law, Article 77 of the Argentine Income Tax Law, and applicable rules from the CNV and BYMA.

**Preliminary Reorganization Agreement**

On March 31, 2017, the Boards of Directors of the Participating Companies approved the execution of the Preliminary Reorganization Agreement and the filing with the CNV and BYMA of the prior authorization request for the Reorganization by filing, among other documentation, a form of reorganization prospectus (*prospecto de fusión*).

The following summary describes the material provisions of the Preliminary Reorganization Agreement, a complete translated copy of which is attached to this prospectus as Annex A and is incorporated by reference into this prospectus. This summary is qualified in its entirety by reference to the complete text of the Preliminary Reorganization Agreement and may not contain all the information about the Preliminary Reorganization Agreement that is important to you.

- *The Distribution:* Nortel will distribute to holders of Nortel Preferred Shares and Nortel ADSs all of its Telecom Class B Shares, including Telecom Class B Shares held by Nortel following the conversion of certain Telecom Class A Shares currently held by Nortel, in exchange for their Nortel Preferred Shares at the Preferred B Share Distribution Ratio (or the holders of Nortel ADSs at the ADS Distribution Ratio). Nortel will also distribute the remaining portion of Telecom Class A Shares that it holds to Fintech.
- *The Reorganization:* Each of the Absorbed Companies will merge into Telecom, by way of a consolidation of their operations, assets and liabilities into Telecom, and Telecom will assume, by succession, the rights and obligations of each of the Absorbed Companies. The surviving company will continue to be known as Telecom Argentina S.A.
- *Purpose of the Reorganization:* The Reorganization is expected to allow the Participating Companies to (i) simplify and consolidate the corporate structure of the Participating Companies; (ii) simplify and consolidate the management of the Participating Companies into only one Board of Directors and group of managers and officers so as to achieve a more integrated and efficient decision-making process; (iii) consolidate and integrate the operational structure and the human resources of the Participating Companies; (iv) incorporate operational synergies and improvements; (v) improve the liquidity of the Telecom Class B Shares in the capital markets and provide liquidity to the Nortel Preferred Shares and (vi) consolidate the assets and liabilities of the Participating Companies' creditors into the Company, improving its creditworthiness and enhancing the financial alternatives for operations.

- *Reorganization Effectiveness Date:* The Reorganization Effectiveness Date is the date in which all of the conditions to effectiveness of the Reorganization are satisfied. See Conditions to Effectiveness of the Reorganization below.
- *Management of the Absorbed Companies:* As of the Reorganization Effectiveness Date, Telecom's Board of Directors will be responsible for the management and administration of each of the Absorbed Companies' operations, assets and liabilities, and the Board of Directors of the Absorbed Companies will be suspended pursuant to the Argentine Corporations Law.
- *Reorganization Distribution Ratios:* A holder of Nortel Preferred Shares will receive the Preferred B Share Distribution Ratio, which equals 134.565053 of Telecom Class B Shares for each Nortel Preferred Shares (or 1.34565053 Telecom ADS for each Nortel ADS). A holder of Nortel Common Shares will receive the Ordinary Distribution Ratio, which equals 1.14046108 Telecom Class A Shares for each Sofora Common Share.

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- *No Capital Increase:* The terms of the Reorganization permit Sofora and Nortel to make certain distributions to their respective shareholders prior to the consummation of the Reorganization. As a consequence of such permitted distributions and the assumption of all the operations, assets and liabilities of each of the Absorbed Companies by Telecom, Telecom will not need to increase its capital stock in connection with the Reorganization.
- *Applicable legal framework:* With respect to Argentine law, the Reorganization will be carried out pursuant to the provisions of Sections 82 to 87 of the Argentine Corporations Law, the CNV regulations and the regulations of the Public Registry of the City of Buenos Aires. The Reorganization is also carried on as a tax-exempted corporate reorganization within the framework set forth by Articles 77 and 78 of the Argentine Income Tax Law and other Argentine tax regulations.

Pursuant to Section I, Chapter XI, Title II of the CNV Rules, (approved by CNV Resolution 622/2013), when a public company decides to merge with another company (public or not), it is required to make a filing with the CNV at least 30 business days prior to the date of the shareholders meeting that will consider and approve the Reorganization. The filing consists of a prospectus describing the Reorganization that shall contain, among other items:

- (a) a description of the shares that will be issued in exchange for the shares of the absorbed company; form of the shares; exchange ratio and conditions of the exchange, grounds for the determination of the exchange ratio and a certification of an independent auditor regarding the exchange ratio;
- (b) decision to request the public offering of the new shares;
- (c) explanation about the reasons of the Reorganization and business, economic and financial impact of the Reorganization in the absorbing and absorbed company;
- (d) the limitations agreed by the merging companies regarding the administration and management of the business and their granting of guarantees for fulfillment of normal activity during the time which will elapse until the Reorganization is registered;
- (e) draft of amendment to the corporate bylaws of the absorbing company (if necessary); and



(f) special purpose unconsolidated statement of financial position for the Reorganization from each company, and consolidated statement of financial position, prepared pursuant to Section 83 of the Argentine Corporations Law and the accounting standards and regulations of the CNV.

**Shareholders Meetings in connection with the Reorganization**

On May 22, 2017, each of Sofora and Nortel will hold an extraordinary general shareholders meeting to vote upon the Reorganization. Sofora's Board of Directors intends to cause Sofora to vote all of its Nortel Common Shares in favor of the Reorganization at the extraordinary general shareholders meeting of Nortel. The affirmative vote of all of the Nortel Common Shares held by Sofora will be sufficient to approve the Reorganization at the extraordinary general shareholders meeting of Nortel.

On May 23, 2017, Telecom will hold an ordinary and extraordinary general shareholders meeting and Personal will hold an extraordinary general shareholders meeting to vote upon the Reorganization. Nortel's Board of Directors intends to cause Nortel to vote the 502,034,299 Telecom Class A Shares and the 36,832,408 Telecom Class B Shares that it directly beneficially owns, representing 55.60% of the total outstanding capital stock of Telecom, in favor of the Reorganization. In addition, Telecom intends to vote all of the capital stock of Personal in favor of the Reorganization. The affirmative vote of Nortel and Telecom at the general shareholders meetings of Telecom and Personal, respectively, will be sufficient to approve the Reorganization at the general shareholders meetings of Telecom and Personal.

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The Nortel Preferred Special Meeting will be held on \_\_\_\_\_, 2017. All holders of the Nortel Preferred Shares who are entitled to vote are eligible to attend this meeting, have one vote allocated per Nortel Preferred Share held, in order to consider the terms of the Nortel Reorganization and the loss of preferential rights of the Nortel Preferred Shares upon receiving Telecom Class B Shares (and the deletion of Section 9 of the terms of issuance the Nortel Preferred Shares).

The Nortel Common Special Meeting will be held on or prior to the date of the Nortel Preferred Special Meeting. All holders of the Nortel Common Shares will be entitled to vote at this Meeting, with one vote allocated per share held, in order to consider the dilution of the voting rights of the Nortel Common Shares as a result of holders of Nortel Preferred Shares receiving Telecom Class B Shares, with voting rights, in the Reorganization.

**Conditions to Effectiveness of the Reorganization**

The effectiveness of the Reorganization is subject to the satisfaction of the following conditions:

- approval of the Reorganization on the terms and conditions set forth in the Preliminary Reorganization Agreement by the shareholders of the Absorbed Companies and Telecom at each of their respective general shareholders' meetings in the case of Telecom, Personal, Nortel and Sofora and at the Nortel Preferred Special Meeting and Nortel Common Special Meeting in the case of Nortel;
- Telecom has prepared its technical and operational systems with the capacity to absorb the operations of the Absorbed Companies;
- the execution of the Final Reorganization Agreement, as required under Argentine law;
- the receipt of the ENACOM Amortization Authorization;
- the receipt of the ENACOM Nortel Authorization;
- the receipt of the ENACOM Licenses Authorization; and

- amortization in full of 140,704,640 Sofora Common Shares representing 32.0% of Sofora's outstanding capital stock.

In addition, the Participating Companies currently expect that the Reorganization will be completed as of the Reorganization Completion Date on which each of the following corporate and administrative procedures is satisfied: (i) the receipt of an administrative consent from the CNV with respect to the Reorganization and (ii) the registration of the Final Reorganization Agreement with the Public Registry of the City of Buenos Aires, among others and (iii) any other authorizations that may be necessary from any other governmental or regulatory entities to consummate the Reorganization.

No assurance can be given as to when or whether any of these approvals and consents will be obtained or conditions satisfied, the terms and conditions that may be imposed in connection with the consents and approvals, or the consequences of failing to obtain the consents and approvals.

### **Termination**

The Preliminary Reorganization Agreement between each of the Absorbed Companies and Telecom does not contain any termination provisions for the agreement. However, under Argentine law, the Preliminary Reorganization Agreement may be terminated if: (i) the shareholders of any of the Participating Companies do not approve the Reorganization at the relevant shareholders' meeting; (ii) any of the Participating Companies does not hold the required shareholders' meeting and approve the Preliminary Reorganization Agreement within three months of its execution or, if approved, the resolution is duly revoked by a new shareholders' meeting prior to the

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execution of the Final Reorganization Agreement; (iii) the Final Reorganization Agreement is declared void or terminated by a competent court for justified causes before its registration with the Public Registry of the City of Buenos Aires; (iv) the CNV rejects the administrative consent of the Reorganization; (v) the Final Reorganization Agreement is not registered with the Public Registry of the City of Buenos Aires; or (vi) any other governmental or regulatory authorization that may be necessary to consummate the Reorganization is not obtained. The terms of the Preliminary Reorganization Agreement provide that in the event that the shareholders of a Participating Company do not approve any of the terms of the Reorganization at their respective shareholders meetings, the Participating Companies may propose amendments to the terms of the Reorganization until it is finally approved or continue with the Reorganization with the other Participating Companies whose shareholders have approved the Reorganization.

**Effect of Termination**

If the Preliminary Reorganization Agreement is terminated or the Reorganization cannot be consummated for any reason:

- The Preliminary Reorganization Agreement will have no effect and there shall be no consequence for any of the Absorbed Companies;
- All the acts performed by Telecom from the Reorganization Effectiveness Date as a consequences of the management of business to be merged, shall be considered as performed on behalf of each of the Absorbed Companies; and
- The companies will continue to run their business as they did prior to the execution of the Preliminary Reorganization Agreement.

**Reasons for the Reorganization from the Boards of Directors**

The Reorganization is expected to allow the Participating Companies to (i) simplify and consolidate the corporate structure of the Participating Companies; (ii) simplify and consolidate the management of the Participating Companies into only one Board of Directors and group of managers and officers so as to achieve a more integrated and efficient decision-making process; (iii) consolidate and integrate the operational structure and the human resources of the Participating Companies; (iv) incorporate operational synergies and improvements; (v) improve the liquidity of the Telecom Class B Shares in the capital markets and provide liquidity to the Nortel Preferred Shares and (vi) consolidate the assets and liabilities of the Participating Companies creditors into the Company, improving its creditworthiness and enhancing the financial alternatives for operations.

**Directors and Management of the Surviving Company After the Reorganization**

Immediately following the Reorganization, the senior management and executives of Telecom, as the surviving company, shall remain the same as the senior management and executive team currently in place and overseeing the operations of the Absorbed Companies and Telecom.

On the Reorganization Effectiveness Date, in accordance with the Preliminary Reorganization Agreement, the Boards of Directors of the Absorbed Companies will be suspended, and Telecom's Board of Directors shall assume the duties and responsibilities of each of the Absorbed Companies Boards of Directors. Following the approval of the Reorganization by the shareholders' meetings of each of the Absorbed Companies and Telecom, and once the creditors opposition period has ended, the Final Reorganization Agreement is expected to be signed and filed with the CNV, and after the CNV grants its administrative conformity to the Reorganization, registered with the Public Registry of the City of Buenos Aires. The composition of the Telecom's Board of Directors will not change as a consequence of the Reorganization.

#### **Share Ownership of Directors, Executive Officers and their Affiliates**

Prior to the completion of the Reorganization, Alejandro D. Quiroga López, Director of Legal and Regulatory Affairs of Telecom, holds 4,450 Telecom Class B Shares, Héctor Gaspar Buscalia, Director of Planning, Administration and Control, holds 2,000 Telecom Class B Shares and 650 Telecom ADSs and Roberto D. Nobile, Chief Operating Officer, holds 4,000 Telecom ADSs. Collectively, they hold less than one percent of total outstanding shares entitled to vote at Telecom. No other Telecom executive officer, member of Telecom's Board of Directors or Supervisory Committee or their affiliates holds capital stock of Telecom entitled to vote.

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Prior to the completion of the Reorganization, Christian Whamond, Alternate Director of Nortel, holds 2,457 Nortel ADSs, or less than one percent of the total outstanding shares entitled to vote at Nortel. No other Nortel executive officer, member of Nortel's Board of Directors or of the Supervisory Committee or their affiliates holds Nortel Common Shares or Nortel Preferred Shares.

For comparison purposes, the voting threshold to approve the Reorganization is detailed under Questions and Answers About the Reorganization and Nortel Preferred Special Meeting Q: What shareholder approvals are needed? in this prospectus.

**Taxation**

For a description of certain material tax consequences of the Reorganization to the holders of Nortel Preferred Shares and Nortel ADSs, see U.S. Federal Income Tax Consequences and Argentine Tax Consequences.

**Accounting Treatment**

The distribution by Nortel of its Telecom Class B Shares will be accounted for under the predecessor basis of accounting, as permitted by IFRS as issued by the IASB. Under the predecessor basis of accounting, assets and liabilities of all Participating Companies will be consolidated into Telecom at their respective carrying amounts.

**Stock Exchange Listings**

The Telecom Class B Shares and the Nortel Preferred Shares are listed on the BYMA. The Telecom ADSs are listed on the NYSE, and the Nortel ADSs are listed on the NYSE and the Luxembourg Stock Exchange.

Following the consummation of the Reorganization, the Nortel Preferred Shares and Nortel ADSs will cease to exist and will no longer be admitted to trading or listed on the BYMA (in the case of the Nortel Preferred Shares), or the NYSE or the Luxembourg Stock Exchange (in the case of the Nortel ADSs).

**Dissenters' Rights of Appraisal in the Reorganization**

Holders of Nortel Preferred Shares and Nortel ADSs have no appraisal rights in connection with the Reorganization.

**Agreements Between Nortel and Telecom Related to the Reorganization**

For a summary of the agreements between Nortel and Telecom related to the Reorganization, see Material Relationships among Telecom, Nortel and their Executive Officers, Directors, and Major Shareholders Past Contacts, Transactions, Negotiations and Agreements with the Absorbed Companies.

**Regulatory and Administrative Matters**

The Reorganization is subject to obtaining the ENACOM Amortization Authorization, the ENACOM Nortel Authorization and the ENACOM Licenses Authorization. The filings with ENACOM for the ENACOM Amortization Authorization was made on March 30, 2017 and is pending approval. The filings with ENACOM for the ENACOM Nortel Authorization and the ENACOM Licenses Authorization are expected to be made during May 2017.

In addition, Telecom must obtain the administrative consent (*conformidad administrativa*) of the CNV with respect to the Reorganization, register the Final Reorganization Agreement with the Public Registry of the City of Buenos Aires (*Inspección General de Justicia*) and receive any other authorizations that may be necessary from any other governmental or regulatory entities to consummate the Reorganization.

For more information, see Regulatory and Administrative Matters.

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**U.S. FEDERAL INCOME TAX CONSEQUENCES**

This summary describes certain U.S. federal income tax consequences of the Reorganization that may be relevant to you if you are a beneficial owner of Nortel Preferred Shares or Nortel ADSs that is a U.S. holder (as defined below) that receives Telecom Class B Shares or Telecom ADSs in exchange for Nortel Preferred Shares or Nortel ADSs pursuant to the Reorganization and that will hold Telecom Class B Shares or Telecom ADSs as capital assets for tax purposes. This summary does not address the Medicare tax on net investment income and does not apply to investors that are members of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- an entity treated as a partnership for U.S. federal income tax purposes, or a partner therein;
- a person that holds Nortel Securities that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds Nortel Preferred Shares, Nortel ADSs, Telecom Class B Shares or Telecom ADSs as part of a straddle or conversion transaction for tax purposes;
- a person who is liable for the alternative minimum tax;



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- a person whose functional currency for U.S. tax purposes is not the U.S. dollar;
- a person that owns or is deemed to own 5% or more of Telecom's voting stock; or
- a holder that is part of the affiliated group of Telecom.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis. In addition, this summary assumes the Nortel Deposit Agreement, and all other related agreements, will be performed in accordance with their terms.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE CONSEQUENCES OF THE REORGANIZATION AND OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NORTEL PREFERRED SHARES, NORTEL ADSs, TELECOM CLASS B SHARES OR ADSs IN THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE POSSIBLE APPLICATION OF STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS.

For purposes of this summary, an investor is a U.S. holder if such investor is a beneficial owner of Nortel Preferred Shares or Nortel ADSs and is:

- an individual citizen or resident of the United States;
- a U.S. domestic corporation; or

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- otherwise subject to U.S. federal income tax on a net income basis with respect to income from the Nortel Preferred Shares or Nortel ADSs.

**Consequences of the Reorganization for U.S. Holders**

For U.S. federal income tax purposes, a merger generally will be a tax-free reorganization if, as a result of the operation of statutory law, all of the assets and liabilities of the business entities that are parties to the merger become the assets and liabilities of one of those entities, and the business entities that transfer their assets and liabilities simultaneously cease their separate legal existence, and certain other conditions are met. While there is no guidance that applies these rules to the simultaneous merger of multiple companies into a single company pursuant to the Argentine Corporations Law, we expect that the Reorganization will be a tax-free reorganization for U.S. federal income tax purposes. Consequently, we expect that (i) U.S. holders will recognize no gain or loss for U.S. federal income tax purposes in connection with the Telecom Class B Shares or Telecom ADSs received, except for any gain or loss that may result from your receipt of cash instead of fractional shares of Telecom Class B Shares or fractional interests in Telecom ADSs, (ii) a U.S. holder's holding period in the Telecom Class B Shares or Telecom ADSs will include the holding period of the Nortel Preferred Shares or Nortel ADSs exchanged therefor and (iii) a U.S. holder's tax basis in the Telecom Class B Shares or Telecom ADSs will be the same as the holder's tax basis in the Nortel Preferred Shares or Nortel ADSs, as applicable, at the time of the distribution of Telecom Class B Shares or Telecom ADSs to the holder.

A U.S. holder will generally recognize capital gain or loss on any cash received in lieu of a fractional share of Telecom B Shares or Telecom ADSs. The gain or loss will be equal to the difference between the amount of cash received and the tax basis allocated to the fractional share. The gain or loss will constitute long-term capital gain or loss if the U.S. holder's holding period in the Nortel Securities surrendered in the Reorganization is greater than one year as of the date of the Reorganization.

**Taxation of Telecom Class B Shares or ADSs Received Pursuant to the Reorganization**

In general, if an investor is the beneficial owner of Telecom ADSs, the investor will be treated as the beneficial owner of the Telecom Class B Shares represented by those Telecom ADSs for U.S. federal income tax purposes, and the discussion above will apply to the receipt of Telecom ADSs in exchange for Nortel ADSs.

*Dividends*

Subject to the discussion below concerning passive foreign investment company status, to the extent paid out of our current or accumulated earnings and profits (as determined in accordance with U.S. federal income tax principles), the gross amount of distributions made with respect to Telecom Class B Shares or ADSs will generally be included in the income of a U.S. holder as ordinary dividend income. Because Telecom does not maintain calculations of its earnings and profits under U.S. federal income tax principles, U.S. holders should expect that a distribution will generally be treated as a dividend. The amount of a dividend will include any amounts withheld by Telecom or the appropriate withholding agent in respect of Argentine taxes. Dividends will generally be treated as foreign-source and passive category income to U.S. holders and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code. Dividends will be included in a U.S. holder's income on the date of the U.S. holder's (or in the case of Telecom ADSs, the depositary's) receipt of the dividend. The amount of the distribution will equal the U.S. dollar value of the pesos received (including amounts withheld in respect of Argentine Taxes), calculated by

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reference to the exchange rate in effect on the date such distribution is received (which, for holders of Telecom ADSs, will be the date such distribution is received by the depositary), whether or not the depositary or U.S. holder in fact converts any pesos received into U.S. dollars. If the distribution is converted into U.S. dollars on the date of receipt, U.S. holders should not be required to recognize foreign currency gain or loss in respect of the dividend income. Any gains or losses resulting from the conversion of pesos into U.S. dollars after the date on which the distribution is received will be treated as ordinary income or loss of the U.S. holder and will be U.S.-source income or loss for foreign tax credit purposes.

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Subject to certain exceptions for short-term (60 days or less) positions, the U.S. dollar amount of dividends paid to certain individuals or other non-corporate U.S. holders will be taxable at the preferential rates if the dividends are qualified dividends. Dividends paid on ADSs are generally treated as qualified dividends if (1) the ADSs are readily tradable on a securities market in the United States (such as the New York Stock Exchange, where the Telecom ADSs are currently traded) and (2) the issuer is not, in the year prior to the year in which the dividend was paid, and is not in the year in which the dividend is paid, a PFIC. Based on the Telecom Audited Financial Statements and relevant market data, we believe that Telecom was not a PFIC for U.S. federal income tax purposes with respect to our 2016 taxable year. In addition, based on our current expectations regarding the value and nature of Telecom's assets, the sources and nature of Telecom's income, and relevant market data, we do not anticipate Telecom becoming a PFIC for its 2017 taxable year or the foreseeable future, although there can be no assurance in this regard. If Telecom is a PFIC for U.S. federal income tax purposes for any taxable year, U.S. holders of Telecom ADSs could be subject to adverse U.S. federal income tax consequences.

Because the Telecom Class B Shares are not themselves listed on a U.S. exchange, dividends received with respect to the Telecom Class B Shares or Telecom ADSs may not be treated as qualified dividends. U.S. Holders of Telecom Class B Shares or Telecom ADSs should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

Distributions of additional Telecom Class B Shares in respect of Telecom Class B Shares that are made as part of a pro-rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

*Sale or Other Disposition*

Gain or loss realized by a U.S. holder on the sale or other disposition of Telecom Class B Shares or Telecom ADSs will be subject to U.S. federal income tax as U.S.-source capital gain or loss, and will be long-term capital gain or loss if the U.S. holder has held the shares for more than one year (including the holding period of the Nortel Securities exchanged therefor). The amount of the gain or loss will be equal to the difference between the U.S. holder's tax basis in those Telecom Class B Shares or Telecom ADSs and the amount realized on the disposition, in each case as determined in U.S. dollars. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations. If an Argentine tax is withheld, or otherwise paid, on the sale or disposition of Telecom Class B Shares or Telecom ADSs, a U.S. holder's amount realized will include the gross amount of the proceeds of the sale or disposition before deduction of the Argentine tax. See *Argentine Tax Consequences Certain Tax Consequences Related to the Telecom Class B Shares Capital gains* for a description of when a disposition may be subject to taxation by Argentina.

*Foreign Tax Credit Considerations*

Subject to applicable limitations and conditions that may vary depending upon the U.S. holder's circumstances, Argentine income taxes withheld from cash dividends on ADSs or Class B shares will be creditable against a U.S. holder's U.S. federal income tax liability, so long as such holder has owned the ADSs or Class B shares (and not entered into specified kinds of hedging transactions) for at least 16 days during the 31-day period beginning on the date which is 15 days before the ex-dividend date. In addition, amounts paid on account of the personal assets tax (as

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described in Argentine Tax Consequences Certain Tax Consequences Related to the Telecom Class B Shares Personal assets tax ) generally will not be treated as an income tax for U.S. federal income tax purposes and will consequently not be eligible for credit against a U.S. holder's federal income tax liability. Instead of claiming a credit, U.S. holders may elect to deduct otherwise creditable Argentine income taxes in computing taxable income, subject to generally applicable limitations. An election to deduct foreign taxes instead of claiming foreign income tax credits applies to all income taxes paid or accrued in the taxable year to foreign countries and possessions of the United States. The rules governing foreign tax credits are complex, and U.S. holders should consult their tax advisors regarding the creditability and deductibility of foreign taxes in their particular circumstances. Because any gain realized on the sale or other disposition of Telecom Class B Shares or Telecom ADSs will be treated as U.S. source, an investor generally would not be able to use the foreign tax credit arising from any Argentine tax imposed on such disposition unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

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*Foreign Financial Asset Reporting*

Certain U.S. holders that own specified foreign financial assets with an aggregate value in excess of USD 50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. Specified foreign financial assets include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Telecom Class B Shares) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Telecom Class B Shares or Telecom ADSs, including the application of the rules to their particular circumstances.

*U.S. Information Reporting and Backup Withholding Rules*

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting unless the holder is an exempt recipient and may also be subject to backup withholding unless the holder (1) provides its taxpayer identification number and certifies that it is not subject to backup withholding or (2) otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

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**ARGENTINE TAX CONSEQUENCES**

The following description of certain Argentine tax matters is based upon the tax laws of Argentina and regulations thereunder as of the date of this prospectus and is subject to any subsequent change in Argentine laws and regulations that may come into effect after such date. This section is the opinion of Errecondo, González & Funes Abogados insofar as it relates to matters of Argentine tax law. This discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a holder of Telecom Class B Shares or Nortel Preferred Shares. No assurance can be given that the courts or Argentine tax authorities responsible for the administration of the laws and regulations described in this prospectus will agree with this interpretation.

**Tax Consequences Related to the Reorganization**

The Reorganization of the Absorbed Companies and Telecom qualifies as a tax-free reorganization under the Argentine Income Tax Law, the Regulatory Decree, judicial decisions, and published rulings of the AFIP; therefore, we believe the shareholders will not have to recognize any Argentine-source income in connection with the exchange of Nortel Preferred Shares for Telecom Class B Shares in the Reorganization.

Pursuant to Section 77 of the Argentine Income Tax Law, and among other requirements, for a two-year period following the Reorganization Effectiveness Date, the surviving company must (i) continue with the activities of the restructured companies prior to the Reorganization and (ii) maintain the listing of its shares on a stock market.

Even though Telecom expects that these requirements will be met, no assurance can be given as to this fact. Since applicable regulations do not provide that the AFIP must issue a resolution confirming that the surviving company has effectively complied with the abovementioned requirements and that, therefore, the Reorganization effectively qualifies as a tax-free reorganization, there can be no assurance that the AFIP will not challenge the Reorganization based on their interpretation that such requirements were not properly satisfied, until the five-year statute of limitations has lapsed.

If the Reorganization qualifies as a tax-free reorganization under Argentine law, no capital gains or withholding tax would apply to investors receiving Telecom Class B Shares in the Reorganization in exchange for their Nortel Preferred Shares. In addition, the exchange of the Nortel Securities in the Reorganization is exempted from value added tax pursuant to Section 7(b) of the Argentine Value Added Tax Law (*Ley de Impuesto al Valor Agregado No. 23,349*).

**Certain Tax Consequences Related to the Telecom Class B Shares**

The following is a description of the principal Argentine tax consequences of the acquisition, ownership and disposition of Telecom Class B Shares, but it does not purport to be a comprehensive description of all the Argentine tax considerations that may be relevant for the holder of Telecom Class B Shares and/or Telecom ADSs.

*Taxation of Dividends*

Pursuant to Law No. 26,893, dividends and other profits paid in cash or in kind except for stock dividends or quota dividends by companies and other entities incorporated in Argentina referred to in Sections 69 (a)(1), (2), (3), (6) and (7), and Section 69(b) of the Argentine Income Tax Law, were subject to income tax at a 10% rate except for those beneficiaries that were domestic corporate taxpayer. Law No. 27,260 repealed this withholding tax as of July 23, 2016. Consequently, there is currently no withholding tax levied on dividends distributed to either Argentine or non-Argentine resident shareholders.

Under the Argentine Income Tax Law, a corporation that makes a distribution of dividends to its shareholders in excess of the amount of its accumulated taxable net income at the close of the previous taxable year, as determined by application of the Argentine Income Tax Law, must withhold a 35% tax from such excess. For purposes of this rule, the amount of income to be considered shall be determined by (1) deducting from taxable income (calculated under the general rules of the Argentine Income Tax Law) the income tax paid by the company and (2) adding the dividends and profits not subject to tax received as distributions from other corporations. If the distribution is in-kind, then the corporation must pay the tax to the Argentine tax authorities and will be entitled to seek reimbursement from the shareholders.



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*Capital gains*

The results derived from the transfer of shares and other equity interests, bonds and other securities of Argentine companies are subject to Argentine capital gains tax, regardless of the type of beneficiary who realizes the gains. Capital gains obtained by Argentine taxpayers (in general, entities organized or incorporated under Argentine law and local branches of non-Argentine entities) derived from the sale, exchange or other disposition of shares are subject to income tax at the rate of 35% on net income.

Income derived by Argentine resident individuals from the sale of shares and other securities is subject to income tax at a 15% rate on the net gain, unless such securities were traded in stock markets and/or have public offering authorization, in which case an exemption applies. The implementing Decree No. 2,334/13 introduced a provision stating that the exemption applies to gains derived from the sale of shares and other securities made through a stock exchange market duly authorized by the CNV.

It is not clear whether the term *includes* (as used in the implementing Decree No. 2,334/13) means that the exemption only refers to sales of securities made through a stock exchange market duly authorized by the CNV or whether the implementing Decree No. 2,334/13 intended to clarify that such sales were just one of the possibilities that may be covered by the exemption (in addition to publicly offering authorized securities, as provided in the Argentine Income Tax Law).

Capital gains obtained by non-Argentine residents from the sale, exchange or other disposition of shares and other equity interests, bonds and other securities of Argentine companies are subject to capital gains tax. In such cases, gains are subject to Argentine tax at a rate of 15% on the net presumed gain provided by the Argentine Income Tax Law for this type of transaction, which is 90% of the transaction's price, resulting in an effective rate of 13.5%. The nonresident seller may opt to be taxed on the net gain resulting from the deduction of the expenses incurred in Argentina necessary for its obtaining, maintenance and conservation, as well as the deductions admitted by the Argentine Income Tax Law. For that purpose, the nonresident seller has to furnish the purchaser with supporting evidence of the amounts to be deducted from the transaction's price, which may or may not be accepted by the purchaser. There is currently no regulation under Argentine law with respect to how this election can be made. When both the seller and the buyer are non-Argentine residents, the person liable to pay the tax shall be the buyer of the shares, equity interests or other securities transferred.

However, as of the date of this Annual Report, no regulations have been issued stipulating the withholding and payment mechanism for transactions between nonresidents. Following the amendments made by Law No. 26,893, and its implementing Decree No. 2,334/13, the tax treatment applicable to gains obtained by non-residents from the sale of ADSs is open to interpretation. Additionally, should the sale of ADSs take place between non-Argentine parties and such sale were deemed to give rise to Argentine source income, as of the date of this Annual Report no regulations have been issued yet regarding the mechanism through which payment would be effectuated to satisfy such obligation. Conversely, if the sale of ADSs were deemed to give rise to foreign source income, no income tax would apply. Therefore, holders of the Class B Shares underlying ADSs or ADS are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from holding and disposing of not only the Class B Shares underlying ADSs but also the ADSs.

*Personal assets tax*

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Argentine companies, such as us, have to assess and pay the personal assets tax corresponding to their shareholders that are Argentine individuals and non-Argentine resident persons. The tax rate in effect through December 31, 2015 was 0.50%. As of December 31, 2016, Law No. 27,260 lowered the rate to 0.25%, which is to be assessed on the proportional net worth value (*valor patrimonial proporcional*), of the shares as per the Argentine entity's last financial statements prepared under Argentine GAAP. Pursuant to the Personal Assets Tax Law, the Argentine company is entitled to seek reimbursement of such paid tax from the applicable Argentine domiciled individuals and/or foreign domiciled shareholders.

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and comply with certain other requirements may qualify for an exemption from the personal asset tax for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should be filed before March 31, 2017. Telecom has filed the request. Notwithstanding, we cannot assure that in the future, Telecom can fulfill those requirements and maintain the referred exemption.

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Telecom has, from time to time, requested that its shareholders reimburse the amounts of personal assets tax paid on their behalf and has received partial reimbursement of such taxes, however no assurances can be made that Telecom will be successful in seeking reimbursement of all such taxes paid from holders of ADSs and Class A, B, and C shares. The amount paid by Telecom and pending collection from its shareholders as of December 31, 2016, was approximately Ps.26 million, of which Ps.18 million are included in the allowance for doubtful accounts, based on the recoverability assessment made by Telecom. Whenever applicable, personal assets tax paid on behalf of Telecom's shareholders is deducted from the cash dividend payment.

*Value added tax*

The sale, exchange or other disposition of Telecom's shares and ADSs, and the distribution of dividends in connection therewith are exempted from the value added tax.

*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 with Argentine financial institutions 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 account. Therefore, any deposit to or withdrawal from a bank account opened in an institution 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 in effect since August 1, 2001 has been 0.6% of the transaction volume.

Decree No. 534/04 provides that owners of bank accounts subject to the general tax rate of 0.6% may take into account as a tax credit of 34% of the tax originated in credits on such bank accounts. This amount may be computed 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 minimum presumed income*

Companies located in Argentina are required to pay 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 our assets. The value of our assets is determined in accordance with the criteria established under Argentine tax laws. The amount of any income tax paid during the fiscal year may be applied against the tax on minimum presumed income that would be payable in such fiscal year. The amount of any tax on minimum presumed income paid in excess of the income tax for such fiscal year may be carried forward for a period of up to ten years. This excess may be treated as a credit to be applied against the income tax payable in a future year to the extent the tax on minimum presumed income for the year does not exceed income tax payable for such future year.

According to Law No. 27,260, the tax on minimum presumed income is abolished for the fiscal years beginning from January 1, 2019.

*Turnover tax*

Turnover tax could be applicable to Argentine residents on the transfer of shares and on the perception of dividends to the extent such activity is conducted on a regular basis within an Argentine province or within the City of Buenos Aires. However, under the Tax Code of the City of Buenos Aires, any transactions with shares, as well as the perception of dividends are exempt from gross turnover tax. Holders of the Class A, B and C Shares or ADSs are encouraged to consult a tax advisor as to the particular Argentine gross turnover tax consequences derived from holding and disposing of the Class A, B and C Shares or ADSs or ADSs.

*Stamp taxes*

Stamp tax is a provincial tax that is levied based on the formal execution of public or private instruments. Documents subject to stamp tax include, among others, all types of contracts, notarial deeds and promissory notes. Each province and the City of Buenos Aires have its own stamp tax legislation. Stamp tax rates vary according to the jurisdiction and type of agreement involved. In certain jurisdictions, acts or instruments related to the negotiation of shares and other securities duly authorized for its public offering by the CNV are exempt from stamp tax.

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*Other taxes*

There are no Argentine federal inheritances or succession taxes applicable to the ownership, transfer or disposition of Class A, B and C Shares.

*Tax treaties*

Argentina has signed tax treaties for the avoidance of double taxation with several countries, although there is currently no tax treaty or convention in effect between Argentina and the United States. On December 23, 2016, Argentina and the United States signed an agreement for the exchange of information relating to taxes.

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**REGULATORY AND ADMINISTRATIVE MATTERS**

The Reorganization will be subject to the Participating Companies obtaining the following authorizations from ENACOM:

- the ENACOM Amortization Authorization;
- the ENACOM Nortel Authorization; and
- the ENACOM Licenses Authorization.

The filings with ENACOM for the ENACOM Amortization Authorization was made on March 30, 2017 and is pending approval. The filings with ENACOM for the ENACOM Nortel Authorization and the ENACOM Licenses Authorization are expected to be made during May 2017.

The following administrative authorizations and approvals are also required:

- obtaining the administrative consent (*conformidad administrativa*) of the CNV with respect to the Reorganization;
- the registration of the Final Reorganization Agreement with the Public Registry of the City of Buenos Aires (*Inspección General de Justicia*); and
- any other authorizations that may be necessary from any other governmental or regulatory entities to consummate the Reorganization.

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**MATERIAL RELATIONSHIPS AMONG TELECOM, NORTEL AND THEIR EXECUTIVE OFFICERS,  
DIRECTORS AND MAJOR SHAREHOLDERS**

**Telecom's Major Shareholders**

Telecom's principal shareholder is Nortel. As of December 31, 2016, Nortel owned all of Telecom's Class A Ordinary Shares (51% of Telecom's total capital stock) and approximately 7.64% of the Class B Ordinary Shares (3.74% of Telecom's total capital stock) which, in the aggregate, represented approximately 54.74% of the total capital stock or 55.60% of the total outstanding shares considering the 15,221,373 Class B Ordinary Shares which were repurchased and are held in treasury. Telecom is directly controlled by Nortel by virtue of Nortel's ownership of a majority of Telecom's capital stock; however, Nortel's controlling interest is subject to certain agreements among Sofora's shareholders.

In the event of certain payment defaults or breaches of covenants, holders of Nortel's preferred stock collectively have the right to elect one director of Nortel and obtain voting rights.

For additional information on Telecom's major shareholders, see Item 7 Major Shareholders and Related Party Transactions of the Telecom 2016 Form 20-F.

**Nortel's Major Shareholders**

As of December 31, 2016, Nortel's capital stock was represented by ordinary shares (78.38% of the capital stock) and Nortel Preferred Shares (21.62% of the capital stock). All of Nortel's ordinary shares are owned by Sofora. Nortel Preferred Shares generally have no voting rights except under limited circumstances. See Item 10-Additional Information Bylaws and Terms and Conditions of Issuance of Series B Preferred Shares Nortel's Capital Stock Voting Rights of the Nortel 2016 Form 20-F.

The ownership of Nortel's shares of common stock as of April 26, 2017 was as follows:

Shareholder	Percentage of capital
Sofora	100.0%

According to the ownership reports of shares or other securities or rights in Nortel Securities prepared by Telecom's directors and members of senior management and provided to us, none of Telecom's directors or executive officers entered into any transactions in Nortel Securities during the past six months.

For additional information on Nortel's major shareholders, see Item 7 Major Shareholders and Related Party Transactions of the Nortel 2016 Form 20-F.

**Past Contacts, Transactions, Negotiations and Agreements with the Absorbed Companies**

Telecom has been involved in a number of transactions with related parties during the periods for which financial statements are presented.

Our policy is to make transactions with related parties on arm's-length basis. In addition, Section 72 of Law No. 26,831 provides that before such company whose stock is publicly-listed may enter into an act or contract involving a relevant amount with a related party or parties, the publicly-listed company must obtain approval from its Board of Directors and obtain a valuation report from its Audit Committee or two independent valuation firms that states that the terms of the transaction are consistent with those that could be obtained at an arm's-length basis. If the Audit Committee or two independent valuation firms do not find that the terms of the contract are consistent with those that could be obtained on an arm's-length basis, approval must be obtained from the shareholders. Relevant amount means an amount which exceeds 1% of the issuer's equity as contained in the latest approved financial statements.



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Transactions with related parties of Sofora (including Telecom Italia S.p.A. (indirect controlling company up to March 8, 2016), Fintech (indirect controlling company as from March 8, 2016), W de Argentina Inversiones S.A. and/or their respective affiliates) and other related parties resulted in expenses, finance costs or purchases of approximately Ps.304 million for the year ended December 31, 2016. Of that amount, Ps.90 million were incurred with Telecom Italia S.p.A. and its affiliates for telecommunications services received by Telecom, including international outbound calls and others, fees for services, roaming and purchases of equipment and materials (that amount is related to the transactions made with the Telecom Italia Group performed until March 8, 2016, date when the Telecom Italia Group ceased to be a related party of the Telecom Group); Ps.209 million were incurred with W de Argentina Inversiones S.A. for insurance, advertising, labor costs and finance costs; and Ps.5 million were incurred with other parties.

Transactions with related parties of Sofora (including Telecom Italia S.p.A. (indirect controlling company up to March 8, 2016), Fintech (indirect controlling company as from March 8, 2016), and other related parties resulted in income for services rendered by us of approximately Ps.123 million for the year ended December 31, 2016, corresponding to telecommunication services rendered to Telecom Italia S.p.A. and its affiliates of approximately Ps.111 million, services rendered to W de Argentina Inversiones S.A. of approximately Ps.7 million and services rendered to other related parties of approximately Ps.5 million.

In addition, Ps.1 million of other income (rental services) rendered to Nortel is recorded for the year ended December 31, 2016.

Transactions with related parties of Fintech for the year ended December 31, 2016 resulted in income for telecommunication services rendered by us of approximately Ps.41 million and expenses for telecommunications services received of approximately Ps.90 million.

These agreements were submitted to an independent firm for evaluation, which found them to be reasonable and in accordance with market practice in all material respects. These agreements were also submitted to the review of the Audit Committee of the board of directors of Telecom and were approved by Telecom's board of directors.

As of December 31, 2016, Telecom had no loans outstanding to the executive officers of Telecom.

**Directors and Senior Management**

For information on the members of the Board of Directors and Senior Management of Telecom and Nortel, including information related to share ownership, compensation and related party transactions, see Item 6 Directors, Senior Management and Employees and Item 7 Major Shareholders and Related Party Transactions of the Telecom 2016 Form 20-F and the Nortel 2016 Form 20-F.

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**COMPARISON OF THE RIGHTS OF SHAREHOLDERS OF  
TELECOM AND NORTEL**

The following is a summary of all material differences between the rights of shareholders of Nortel Preferred Shares and Telecom Class B Shares arising from the differences between the corporate bylaws of the two companies. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the translations of Telecom's bylaws, which are included as exhibits to the Reorganization Form F-4 and of the bylaws of Nortel, which are filed as exhibits to the Nortel 2016 Form 20-F. To find how to obtain these documents see [Where You Can Find More Information](#).

Telecom is a *sociedad anónima* organized under the laws of Argentina, and the rights of its shareholders are governed by the Argentine Corporations Law, the Capital Markets Law and by the provisions of its bylaws. Telecom's bylaws with all amendments thereto were registered in the Public Registry of the City of Buenos Aires on January 8, 2016 under number 447, book 77 of Corporations.

Nortel is a *sociedad anónima* organized under the laws of Argentina, and the rights of its shareholders are governed by the Argentine Corporations Law, the Capital Markets Law and by the provisions of its bylaws. Nortel's bylaws with all amendments thereto were registered in the Public Registry of the City of Buenos Aires on December 10, 2010 under number 23647, book 52 of Corporations.

Nortel Preferred Shares	Telecom Class B Shares
<b><i>Voting Rights</i></b>	
<p>Holders of Nortel Preferred Shares generally do not have any voting rights. Pursuant to Sections 217 and 244 of the Argentine Corporations Law, non-voting preferred shares, including Nortel Preferred Shares, are entitled to vote on certain corporate decisions, including a merger (except when Nortel is the surviving company), a spin-off or the dissolution of Nortel. In addition, under the terms of issuance of the Nortel Preferred Shares, holders of Nortel Preferred Shares have one vote per share and the right to elect, voting together as a single class, one member to the Board of Directors of Nortel.</p>	<p>Each holder of Telecom Class B Shares is entitled to one vote per share.</p>
<b><i>Dividend Rights</i></b>	
<p>Every holder has the right to obtain dividends, and the dividend is allocated as a fixed amount per Nortel Preferred Share, with holders receiving a dividend in proportion to their pro rata share of Nortel Preferred Shares. The aggregate amount of dividends allocated to Nortel Preferred Shares is equal to 48.96% of the total amount of dividends approved by Nortel.</p>	<p>Every shareholder has the right to obtain dividends, the dividend is allocated as a fixed amount per share, with shareholders receiving a dividend in proportion to their shareholding.</p>
<p>The amount and payment of dividends are determined by majority vote of the holders of Nortel Common Shares at the annual shareholders meeting, considering the recommendation of the Board of Directors of Nortel.</p>	<p>The amount and payment of dividends are determined by majority vote of the shareholders at the annual shareholders meeting, considering the recommendation of the board of directors</p>

Any modifications to the preferential rights of Nortel Preferred shares are determined by a majority vote of the shareholders present at an ordinary shareholders meeting in accordance with Section 243 of the Argentine Corporations Law.

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Nortel Preferred Shares	Telecom Class B Shares
<b><i>Liquidation Preference</i></b>	
The terms of issuance of the Nortel Preferred Shares provide holders of Nortel Preferred Shares the right to receive, in the aggregate, 48.96% of the liquidation proceeds of Nortel.	Bylaws provide no liquidation preference.
<b><i>Mandatory Tender Offer Requirements</i></b>	
CNV rules do not require a mandatory tender offer of Nortel Preferred Shares for so long as they remain non-voting shares, in the case of a direct or indirect change of control of Nortel.	CNV rules require a mandatory tender offer for all of the outstanding Telecom Class B Shares in the case of a direct or indirect change of control of Telecom.
<b><i>Limitations on Share Ownership</i></b>	
There is no limitation in the bylaws.	There is no limitation in the bylaws.
<b><i>Capital Increases and Preemptive Rights</i></b>	
Nortel Preferred Shares have preemptive and accretion rights only with respect to capital increases of Nortel Preferred Shares.	Telecom Class B Shares have preemptive rights with respect to capital increases of Telecom Class B Shares and, to the extent that an issuance would result in a change in the proportion of Telecom Class B Shares relative to other classes of Telecom capital stock, with respect to capital increases of all classes of Telecom capital stock.
Nortel will not issue any additional Nortel Preferred Shares in excess of 1,470,455 shares, other than Nortel Preferred Shares issued (i) pursuant to the preemptive rights of holders of Nortel Preferred Shares in connection with the issuance of new Nortel Common Shares, or (ii) free of payment to holders of Nortel Preferred Shares to capitalize reserves, revaluation surpluses or similar concepts.	Any capital increase is subject to section 5 of Telecom's bylaws, which provides that shares of stock to be issued shall be Telecom Class A Shares, Telecom Class B Shares or Telecom Class C Shares, in each case in book-entry form and having the same characteristics as those already issued and observing the laws and regulations then in force. In any issuance of shares of stock, the proportion existing between Telecom Class A Shares, Telecom Class B Shares and Telecom Class C Shares at the time of holding the shareholders meeting to approve the issuance must be maintained, except where the shareholders decide to act in accordance with the second paragraph of Section 195 of the Argentine Corporations Law.

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**ENFORCEABILITY OF CIVIL LIABILITIES AGAINST NON-U.S. PERSONS**

Telecom is incorporated under the laws of Argentina. Substantially all of Telecom's and Telecom's subsidiaries' assets are located outside the United States. All of Telecom's directors and all Telecom's officers and certain advisors named in this prospectus reside in Argentina. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or Telecom in United States courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

Argentine counsel, Errecondo, González & Funes Abogados, has advised Telecom that it may be difficult for an investor to bring in an Argentine court an original action predicated solely upon the civil liability provisions of U.S. federal securities laws against us, Telecom's directors and/or Telecom's officers. There is doubt as to whether Argentine courts would permit such actions or enforce any civil liabilities thereon.

If enforcement of a judgment issued by a U.S. court is sought before federal courts or courts with jurisdiction in commercial matters of the City of Buenos Aires, such judgment will be subject to the requirements set out in Articles 517 through 519 of the Argentine Federal Civil and Commercial Procedure Code. Such requirements are as follows: (1) the judgment, which must be valid and final in the jurisdiction where rendered, was issued by a competent court in accordance with the Argentine principles regarding international jurisdiction and resulted from a personal action, or an in rem action with respect to personal property which was transferred to Argentine territory during or after the prosecution of the foreign action, (2) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against foreign action, (3) the judgment does not violate the principles of public policy of Argentine law, and (4) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court. Any document in a language other than Spanish (including, without limitation, the foreign judgment and other documents related thereto) requires filing with the relevant court of a duly legalized translation by a sworn public translator into the Spanish language.

The filing of claims with the Argentine judicial system is subject to the payment of a court tax to be paid by the person filing a claim. Such tax rate varies from one jurisdiction to another (the current court tax in the courts sitting in the City of Buenos Aires is levied at a rate of 3% of the amount claimed, in conformity with Article 2 of Argentine Law No. 23,898). Furthermore, pursuant to Argentine Law No. 26,589 (as amended), certain mediation procedures must be exhausted prior to the initiation of lawsuits in Argentina (with the exception, among others, of bankruptcy and executory proceedings, which executory proceedings include the enforcement of foreign judgments, in which case mediation procedures remain optional for the plaintiff).

Subject to compliance with Article 517 of the Argentine Federal Civil and Commercial Procedure Code described above, a judgment against Telecom or the persons described above and obtained outside Argentina would be enforceable in Argentina without reconsideration of the merits.

Telecom has been further advised by Argentine counsel that the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain assets of Telecom's, Telecom's directors, Telecom's executive officers and/or the advisors named in this prospectus, respectively, may be limited by provisions in Argentine law.

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A plaintiff (whether Argentine or non-Argentine) residing outside Argentina during the course of litigation in Argentina may be required to provide a bond to guarantee court costs and legal fees incurred under such litigation, if the plaintiff owns no real property in Argentina that could secure such payment. The aforementioned bond should have a value at least sufficient to pay for court fees and defendant's attorney fees in the corresponding litigation, as determined by the Argentine judge. This requirement does not apply to the enforcement of foreign judgments.

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**LEGAL MATTERS**

Certain matter of New York law will be pass upon for Telecom by Cleary Gottlieb Steen & Hamilton LLP, New York, New York. Errecondo, González & Funes Abogados, Telecom's Argentine legal counsel, will provide an opinion regarding the validity of the Telecom Class B Shares under Argentine law.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Telecom Audited Financial Statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Annual Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Telecom's Annual Report on Form 20-F for the year ended December 31, 2016 have been incorporated in reliance on the report of Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The Nortel Audited Financial Statements incorporated in this prospectus by reference to the Nortel's Annual Report on Form 20-F for the year ended December 31, 2016 have been incorporated in reliance on the report of Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The Sofora Audited Financial Statements included in this prospectus have been included in reliance on the report of Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

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Annex A

**PRELIMINARY REORGANIZATION AGREEMENT**

**entered into between**

**TELECOM ARGENTINA S.A.**

**(as Surviving Company)**

**and**

**TELECOM PERSONAL S.A.,**

**NORTEL INVERSORA S.A.**

**and**

**SOFORA TELECOMUNICACIONES S.A.**

**(as Absorbed Companies)**

**March 31, 2017**

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**PRELIMINARY REORGANIZATION AGREEMENT**

This PRELIMINARY REORGANIZATION AGREEMENT is held on March 31, 2017 among:

- (1) **Telecom Argentina S.A.** ( Telecom Argentina or, the Surviving Company ), domiciled at Ave. Alicia Moreau de Justo 50, 13<sup>th</sup> floor, Autonomous City of Buenos Aires;
- (2) **Telecom Personal S.A.** ( Telecom Personal ), domiciled at Ave. Alicia Moreau de Justo 50, Autonomous City of Buenos Aires;
- (3) **Nortel Inversora S.A.** ( Nortel ), domiciled at Ave. Alicia Moreau de Justo 50 13<sup>th</sup> floor, Autonomous City of Buenos Aires; and
- (4) **Sofora Telecomunicaciones S.A.**, domiciled at Ave. Alicia Moreau de Justo 50, 13<sup>th</sup> floor, Autonomous City of Buenos Aires., hereinafter Sofora and, together with Telecom Personal and Nortel, the Absorbed Companies and, all of them together with Telecom Argentina, the Participating Companies and each of them individually, a Party .

**AND WHEREAS:**

- (a) Telecom Argentina's primary business is the provision, directly or through third parties or associated with third parties, of ICT Services (as such term is defined below), whether fixed, mobile, wired, wireless, national or international, with or without own infrastructure, within the framework of the applicable licenses, and its corporate purpose includes the provision of Audiovisual Communication Services (as such term is defined below). Telecom Argentina also has activity as holding company of subsidiaries such as Telecom Personal; Micro Sistemas S.A. and Telecom Argentina USA, Inc.;
- (b) Telecom Personal's primary business is the provision, directly or through third parties or associated with third parties, of ICT Services, whether fixed, mobile, wired, wireless, national or international, with or without own infrastructure, within the framework of the applicable licenses, and its corporate purpose includes the provision of Audiovisual Communication Services. Telecom Personal also has activity as holding company of subsidiaries such as Núcleo S.A. and Personal Envíos S.A.;

(c) The national and international trend of ICT Services and Audiovisual Communication Services is the convergence of voice, data, sound and image transmission services, both fixed and wireless, in a sole unity to be provided to users.

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(d) Nortel's primary business, and Sofora's primary business, indirectly through Nortel, is to act as holding company of Telecom Argentina and Telecom Personal and their respective subsidiaries;

(e) The Participating Companies have determined that their respective operative and ownership structures may be optimized, for the benefit of their respective shareholders, through a reorganization by absorption in which Telecom Argentina absorbed the other companies and became the universal successor of all the Absorbed Companies' activities, simplifying its capital structure in accordance with international standards and market practices;

(f) Having analyzed the benefits that may be obtained by a corporate reorganization, having requested the preparation of the applicable accounting documents and having agreed upon the terms on which such reorganization may be perfected, the Participating Companies wish to undertake the applicable corporate procedure; and

(g) As a relevant subsequent fact as of December 31, 2016, the Participating Companies have taken into account that the General Unanimous Shareholders' Meeting of Sofora held on March 28, 2017 has approved the total amortization of 140,704,640 shares of common stock representing 32% of its capital stock held by WAI (as such term is defined below), which shall be totally cancelled, and its capital stock shall be reduced in an amount of Argentine Pesos 140,704,640, all of which shall occur before the Reorganization Effectiveness Date (as such term is defined below).

**THEREFORE**, the Participating Companies hereto agree to enter into this PRELIMINARY REORGANIZATION AGREEMENT, subject to: (i) the applicable shareholders' approvals required by Section 83 of the General Corporations Law No. 19,550 and its amendments (hereinafter, the GCL) and the terms hereunder, and (ii) the approvals of the National Communications Agency (Ente Nacional de Comunicaciones or ENACOM) listed in Section Five hereof; in the conditions set forth as follows:

**Section One. DEFINITIONS.**

The following terms used with their first letter in capital letter will have the meaning assigned to them as follows, except when the use of a capital letter exclusively responds to the grammatical rule that requires it at the beginning of a sentence, or applies to a proper noun:

**Shares to Be Distributed** : means the 502,034,299 Telecom Argentina's Class A Shares and 36,832,408 Telecom Argentina's Class B Shares currently held by Nortel; all of which will be distributed among the holders of shares of Sofora and the holders of Nortel's B Preferred Shares as set forth in Section Four of this Agreement.



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**Telecom Argentina s Class A Shares** : means the 502,034,299 book-entry Class A shares of common stock, with one vote each and a par value of one Argentine Peso, issued by Telecom Argentina, which are listed in the Merval and as of the date of this Agreement are held in their entirety by Nortel.

**Telecom Argentina s Class B Shares** : means the 482,111,931 book-entry Class B shares of common stock, with one vote each and a par value of one Argentine Peso, issued by Telecom Argentina, which are listed in the Merval; of which 15,221,373 are treasury shares.

**Nortel s Preferred B Shares** : means the 1,470,455 Class B Preferred shares, with no vote and with a par value of ten (AR\$10.-) Argentine Pesos issued by Nortel, which are listed in the Merval.

**Sofora s F Shares of Common Stock** : means the 298,997,360 shares of common stock, with one vote each and a par value of one Argentine Peso, issued by Sofora and held by Fintech, which, once the procedure of amortization of the Shares Subject to Amortization is finished, shall represent 100% of the capital stock of Sofora.

**Shares Subject to Amortization or Sofora s W Shares of Common Stock** : means the 140,704,640 shares of common stock, with one vote each and a par value of one Argentine Peso, issued by Sofora and held by WAI, consisting of Sofora s Block A and Sofora s Block B, all of which are subject to total amortization and cancellation pursuant to the terms of Section 223 of the GCL with the resulting capital reduction in accordance with the resolutions approved by the General Unanimous Extraordinary Shareholders Meeting of Sofora held on March 28, 2017.

**Final Reorganization Agreement** : means the final reorganization agreement to be entered into by and among Sofora, Nortel, Telecom Argentina and Telecom Personal for purposes of implementing this reorganization, pursuant to the terms of Sections 82, 83 et seq. of the GCL and the terms of this Agreement.

**Special Preferred B Shareholders Meeting of Nortel** : means a special meeting of Preferred B Shares to be called by Nortel pursuant to the terms of this Agreement and for purposes of approving the terms of the Reorganization and the Share Distribution Ratio, to be held pursuant to the terms of Section 250 of the GCL.

**Special Common Stock Shareholders Meeting of Nortel** : means a special meeting of shares of common stock issued by Nortel, with one vote each and a par value of ten (AR\$10.-) Argentine Pesos, to be called by Nortel pursuant to the terms of this Agreement and for purposes of approving the terms of the Reorganization and the Share Distribution Ratio, to be held pursuant to the terms of Section 250 of the GCL.

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**Extraordinary Shareholders Meeting of Sofora** : means an extraordinary shareholders meeting to be called by Sofora to approve the terms of the Reorganization set forth in this Agreement, to be held pursuant to the terms of Section 244 of the GCL.

**Extraordinary Shareholders Meeting of Nortel** means an extraordinary shareholders meeting to be called by Nortel to approve the terms of the Reorganization set forth in this Agreement, to be held pursuant to the terms of Section 244 of the GCL.

**Extraordinary Shareholders Meeting of Telecom Argentina** means an extraordinary shareholders meeting to be called by Telecom Argentina to approve the terms of the Reorganization set forth in this Agreement, to be held pursuant to the terms of Section 244 of the GCL.

**Extraordinary Shareholders Meeting of Telecom Personal** means an extraordinary shareholders meeting to be called by Telecom Personal to approve the terms of the Reorganization set forth in this Agreement, to be held pursuant to the terms of Section 244 of the GCL.

**ENACOM Amortization s Authorization** : means a resolution issued by the ENACOM for purposes of: i) release Sofora s Block B shares from the main core of shares held by the investor consortium for the acquisition -during the privatization process of ENTel- of Sociedad Licenciataria Norte (currently Telecom Argentina) pursuant to Decree No. 62/90 dated January 5, 1990 and the terms of such privatization, and Resolution No. 111/2003 issued by the Argentine Secretary of Communications on December 10, 2003; ii) authorize the amortization of Sofora s Block B pursuant to Section 223 of the GCL; or iii) confirm that the obligation of maintaining Sofora s Block B in the main core is not currently in effect, or iv) consent in any other way the amortization of Sofora s Block B.

**ENACOM Nortel s Authorization** : means a resolution issued by the ENACOM authorizing Nortel s dissolution as a result of the Reorganization and the distribution to the holders of Nortel s Preferred B Shares of a portion of Telecom Argentina s Class A Shares through their conversion into Telecom Argentina s Class B Shares, pursuant to the terms and conditions of this Agreement.

**ENACOM Licenses Authorization** means a resolution issued by the ENACOM authorizing the transfer to Telecom Argentina, as a result of the Reorganization, of all the licenses for the provision of ICT Services and the registries of ICT Services, together with the corresponding frequency use permissions, which were in the past granted or awarded to Telecom Personal.

Notices : means the notices to be published by Sofora, Nortel, Telecom Argentina and Telecom Personal pursuant to Section 83 of the GCL for the exercise of the

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opposition rights of the respective creditors of all companies involved in the Reorganization.

**Sofora s Block A** : means the 74,749,340 shares of common stock, with one vote each and a par value of one Argentine Peso, issued by Sofora, representing 17% of the capital stock of Sofora and subject to total amortization under the terms of Section 223 of the GCL, pursuant to the resolutions approved by the General Unanimous Extraordinary Shareholders Meeting of Sofora held on March 28, 2017.

**Sofora s Block B** : means the 65,955,300 shares of common stock, with one vote each and a par value of one Argentine Peso, issued by Sofora, representing 15% of the capital stock of Sofora and subject to total amortization under the terms of Section 223 of the GCL, pursuant to the resolutions approved by the General Unanimous Extraordinary Shareholders Meeting of Sofora held on March 28, 2017, and subject to prior approval of the amortization by the ENACOM.

**Agreement or Preliminary Reorganization Agreement** : means this Preliminary Reorganization Agreement.

**Decree 267/15** : means the Decree of Need and Urgency No. 267 issued on December 29, 2015.

**Opposition Rights** : means the rights arising from Section 83 of the GCL for the benefit of all holders of credits originated before the date of this Agreement, which allow them to oppose the reorganization for a period of 15 days starting on the date of the last publication of the Notice issued by the participating company in the Reorganization of which they are creditors.

**Allowed Distributions** : means an amount in Argentine Pesos equal to the amount of the respective Distributable Net Amounts of Nortel and Sofora that Nortel and Sofora may distribute to their respective shareholders as provisional, regular or any other kind of dividends, as from the date of this Agreement until the Reorganization Effectiveness Date, without modifying Nortel s Preferred B Share Distribution Ratio or Sofora s Distribution Ratio.

**ENACOM** : means the National Communications Agency as applicable authority of Argentine Digital Law No. 27,078.

**Special-Purpose Combined Financial Statements** : means the special combined financial statements of the reorganization of Sofora, Nortel, Telecom Argentina and Telecom Personal as of December 31, 2016 attached hereto as Annex II, which were prepared based on the Special-Purpose Unconsolidated Financial Statements of each of such companies.

**Special-Purpose Unconsolidated Financial Statements** : means the special unconsolidated financial statements of the reorganization prepared for Sofora,

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Nortel, Telecom Argentina and Telecom Personal as of December 31, 2016 attached as Annex I-A; I-B; I-C and I-D to this Agreement.

Fintech : means Fintech Telecom LLC.

Merval : means the Buenos Aires Securities Exchange ( Mercado de Valores de Buenos Aires S.A. ).

Distributable Net Amounts : means, with respect to Nortel and Sofora, as applicable, the net amount in Argentine Pesos equal to total net assets identified in the respective Special-Purpose Unconsolidated Financial Statements of Nortel and Sofora as of December 31, 2016, *minus* (i) their respective direct and indirect holdings in Telecom Argentina (book value); and (ii) the amount allocated to face the amortization of the Shares Subject to Amortization; *plus* or *minus* the profits or losses, as applicable, resulting from the management and administration of Nortel and Sofora until the Reorganization Effectiveness Date.

Telecom Personal s Notes : means the notes ( obligaciones negociables ) issued by Telecom Personal, as follows: Series I issued with an initial par value of AR\$571,505,000.-, which are due on June 12, 2017; Series II, with an initial par value of AR\$149,000,000.-, which are due on December 10, 2018; Series III issued with an initial par value of AR\$721,969,404.-, which are due on May 16, 2018 and Series IV with an initial par value of US\$77,900,400.-, which are due on November 16, 2018.

Nortel s Shareholding in Telecom Personal : means an amount of 120,000 shares of common stock, book entry, with an one (AR\$1) Argentine Peso par value and one vote each, issued by Telecom Personal and representing 0.008% of its capital stock, which have been held by Nortel until the date hereof.

Market Price : means AR\$66.61 per share, equal to the average market price of Telecom Argentina s Class B Shares listed on the Merval at the end of each trading day starting on January 2, 2017 until March 20, 2017.

Nortel s Preferred B Share Distribution Ratio : means the share distribution ratio set forth in Section Four of this Agreement, pursuant to which the Shares to Be Distributed shall be distributed to the holders of Nortel s Preferred B Shares.

Sofora s Distribution Ratio : means the share distribution ratio set forth in Section Four of this Agreement, pursuant to which the Shares to Be Distributed shall be distributed to Fintech, as sole shareholder of Sofora following the total amortization of the Shares Subject to Amortization.

**Audiovisual Communication Services** : means the audiovisual communication services governed by Law No. 26,522, as amended and regulated.

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ICT Services : means the information, communications and technologies services governed by Law No. 27,078, as amended and regulated.

WAI : means W de Argentina Inversiones S.A.

**Section Two. Reorganization**

The Participating Companies hereby agree on a corporate reorganization through a reorganization by absorption of Sofora, Nortel and Telecom Personal, as Absorbed Companies, into Telecom Argentina, as Surviving Company, pursuant to the terms of Sections 82 and 83 of the GCL, and within the tax framework provided by Sections 77 et seq. of Law No. 20,628 of Income Tax, as amended and complemented, and the terms of this Preliminary Reorganization Agreement, all of it subject to the corporate approvals listed in Section Ten of this Agreement and the regulatory approvals listed in Section Five of this Agreement, and effective as of the Reorganization Effectiveness Date (as such term is defined in Section Five (hereinafter, the Reorganization )

**Section Three. General Effects of the Reorganization.**

Resulting from the Reorganization agreed upon in Section Two and effective as of the Reorganization Effectiveness Date: (i) all the assets and liabilities of the Absorbed Companies shall be transferred in their entirety to the Surviving Company at the values listed in the respective Special-Purpose Unconsolidated Financial Statements, causing Telecom Argentina to acquire ownership of all rights and to assume all obligations and liabilities of any nature of Telecom Personal, Sofora and Nortel including (a) those rights and liabilities that, for any reason, have not been included in the Special-Purpose Unconsolidated Financial Statements, among which are all rights and liabilities arising or becoming known after the end date of the Special-Purpose Unconsolidated Financial Statements as a result of events or activities prior to such end date, and those rights and liabilities of the Absorbed Companies arising from their relationships with their personnel, which personnel shall become directly dependent of Telecom Argentina, and whose seniority, benefits and all other acquired rights shall be respected; and (b) all kind of licenses, authorizations and use permits of any kind which transfer is subject to authorization by a governmental entity, which authorizations shall be timely requested; (ii) Telecom Argentina shall be the successor of all activities of Telecom Personal, Sofora and Nortel; (iii) Telecom Personal, Sofora and Nortel shall dissolve without liquidation; and (iv) the holders of Sofora and Nortel shares shall be considered shareholders of Telecom Argentina as of the Reorganization Effectiveness Date, including the exercise of their economic and political rights to the extent of the Share Distribution Ratios provided for in this Agreement.

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**Section 4. Share Distribution Ratios.**

1. Telecom Argentina will not issue new shares as a result of the Reorganization. Shares to Be Distributed, which are currently part of Nortel's holding in Telecom Argentina, will be distributed among holders of Sofora's Shares and Nortel's Preferred B Shares as follows:

a.1.- Holders of Nortel's Preferred B Shares will receive Telecom Argentina's Class B Shares by the following share distribution ratio (Nortel's Share Distribution Ratio): 134.565053 Telecom Argentina's Class B Shares for each one of 1,470,455 Nortel's Preferred B Shares. As a result, holders of Nortel's Preferred B Shares will receive an aggregate of 197,871,855 Telecom Argentina's Class B Shares. No new Telecom Argentina Class B Shares shall be issued. Telecom Argentina's Class B Shares to be received by holders of Nortel's Preferred B Shares will arise from (i) the 36,832,408 Telecom Argentina's Class B Shares held by Nortel as of today, and (ii) the conversion of 161,039,447 Telecom Argentina's Class A Shares held by Nortel into Class B Shares.

a.2.- As of the date of this Agreement, an agreement for the sale of Nortel's Shareholding in Telecom Personal to Telecom Argentina, current holder of 99.992% of Telecom Personal's capital stock, shall be executed. As a result, the Surviving Company will become the holder of all the shares representing the capital stock of Telecom Personal. Therefore, the absorption of Telecom Personal by Telecom Argentina will not cause an economic variation in Telecom Argentina, since the value of the shares representing the capital stock of Telecom Personal shall be replaced by the assets and liabilities items included in the balance sheet of Telecom Personal, incorporated in Telecom Argentina pursuant to the reorganization. As a result, Telecom Personal's absorption will not cause a capital increase in Telecom Argentina, no shares of Telecom Argentina will be issued and no share distribution ratio will be provided for.

b.- Fintech, as indirect shareholder of Nortel through Sofora, will receive Telecom Argentina's Class A Shares by the following distribution ratio (Sofora's Distribution Ratio): 1.14046108 Telecom Argentina's Class A Shares for each one of the 298,997,360 Sofora's F Shares of Common Stock. As a result, Fintech will receive an aggregate of 340,994,852 Telecom Argentina's Class A Shares, which are currently held by Nortel.

c.- The Participating Companies hereby agree that the respective Distributable Net Amounts of Nortel and Sofora will not be capitalized in the Surviving Company and the Surviving Company will not issue new shares in consideration thereof, since Nortel and Sofora are allowed to distribute to their respective shareholders an amount equal



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to the Distributable Net Amounts as Allowed Distributions before the Reorganization Effectiveness Date.

d.- Agreement on the Share Distribution Ratios referred to above (which are certified by Independent External Auditors) was based on the following: (1) Sofora, Nortel, Telecom Argentina and Telecom Personal's respective net worths and Allowed Distributions; (2) that Nortel and Sofora's assets consist almost exclusively of their direct and indirect investment in Telecom Argentina, except for the Distributable Net Amounts; (3) neither Sofora nor Nortel have financial debt or other relevant liabilities other than their respective offices' rents, professional fees, salaries and social security contributions and other expenses arising from their ordinary course of business and payment of Income Tax and other taxes; (4) because the Reorganization will cause Sofora's dissolution, the Shares to Be Distributed will not be delivered to Sofora. Instead they will be directly delivered to the holder of Sofora's F Shares of Common Stock, which shall be its only holder of shares of common stock, since Sofora's W Shares of Common Stock are subject to amortization and cancellation that shall be concluded before the Reorganization Effectiveness Date; (5) the historic lack of liquidity and the absence of voting rights of Nortel B Preferred Shares; (6) the fact that, historically, such lack of liquidity and voting rights has caused Nortel's B Preferred Shares to have a market price significantly lower than the value of Nortel's shareholding in Telecom Argentina and its economic rights *vis a vis* the market price of Telecom Argentina's Class B Shares in the New York Stock Exchange. This difference in price has been of an average of 38.29% during the last five years, and 28.71% during the last year. Therefore, it was considered reasonable to fix a Nortel's Preferred B Share Distribution Ratio that reflects a 25% discount on such preferred shares' current economic rights, and deliver Telecom Argentina's Class B Shares to the holders of Nortel's Preferred B Shares in proportion to their economic rights newly adjusted by the above mentioned discount; and (7) the valuation report prepared by the Participating Companies' working team on Telecom Argentina, Telecom Personal and the relative discount of Nortel's Preferred B Shares with the aim to determine the reasonableness of the Share Distribution Ratio and the Market Price.

An explanation of the methodology and the calculation of the Share Distribution Ratios referred to above is attached hereto as Annex III.

**Section Five. Reorganization Effectiveness Date.**

This Reorganization shall be effective as of 12 am of the day in which the Chairmans of the Board of Directors of the Participating Companies (hereinafter, the



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Date of Reorganization ), execute a minute of transfer of operations recording that: (i) Telecom Argentina has set up its technical-operational systems to assume Telecom Personal, Nortel and Sofora s operations and activities; and (ii) as of the Reorganization Effectiveness Date the transfer of the operations and activities of the Absorbed Companies into Telecom Argentina is perfected because the following conditions, to which the Reorganization is subject, have been complied with:

- 1) The Final Reorganization Agreement has been executed;
- 2) The ENACOM Amortization s Authorization has been obtained;
- 3) The ENACOM Nortel s Authorization has been obtained;
- 4) The ENACOM Licenses Authorization has been obtained;
- 5) The Shares Subject to Amortization have been fully amortized.

As of the Date of Reorganization the operations and activities of Telecom Personal, Sofora and Nortel will be assumed by Telecom Argentina.

**Section 6. Reasons and Purposes of the Reorganization.**

Pursuant to Section 83, Subsection 1), paragraph a), of the GCL, the Participating Companies hereby declare that the Reorganization agreed upon in this Agreement is made for the following purposes: i) to simplify and consolidate the corporate structure of the Telecom Group; ii) to simplify and consolidate the management of the Telecom Group in only one Board of Directors and group of managers and officers so as to achieve a better integration and efficiency in the decision making process; iii) to consolidate and integrate the operational structure and the human resources of the Telecom Group; iv) to incorporate operational synergies and improvements; v) to improve the liquidity of the Telecom Argentina s Class B Shares in the capital markets, and to provide liquidity to Nortel s Preferred B Shares through their exchange for Telecom Argentina s Class B Shares; vi) to consolidate the common guaranty of the Telecom Group s creditors, improving its creditworthiness and enhancing the financial alternatives for its operations.

**Section 7. Accounting Documents. Special-Purpose Unconsolidated Financial Statements and Special-Purpose Combined Financial Statements.**

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The following documents constitute a part of this Agreement: (i) the Special-Purpose Unconsolidated Financial Statements of Telecom Argentina, Telecom Personal, Nortel and Sofora as of December 31, 2016, attached hereto as Annex I (A), I (B), I (C) and I (D), respectively; (ii) the Special-Purpose Combined Financial Statements as of December 31, 2016, attached hereto as Annex II; (iii) the methodology by which the Share Distribution Ratios were calculated, attached hereto as Annex III; and (iv) Reasons and Economic and Financial Consequences of the Reorganization (Annex IV). The accounting documents referred to in Annex I (A), I (B), I (C) I (D) and II were prepared by the Participating Companies' managers on uniform bases and identical valuation criteria, executed by their respective legal representatives, with reports from their respective Supervisory Committees, and certified by a

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Certified Public Accountant. The Special-Purpose Unconsolidated Financial Statements of Telecom Argentina, Telecom Personal, Nortel and Sofora as of December 31, 2016 have been audited by Independent External Auditors, pursuant to the auditing rules applicable in Argentina, the Special-Purpose Combined Financial Statements as of December 31, 2016 are certified by Independent External Auditors, as required by the Argentine National Securities Commission (Comisión Nacional de Valores or CNV). All Annexes will be made available to the shareholders and, in turn, the financial statements will be copied in the applicable corporate books.

**Section 8. Bylaws Amendment.**

Simultaneously with the reorganization, Telecom Argentina will adjust and amend its Bylaws in the form attached hereto as Annex V. Consideration of such Bylaws will be part of the Agenda to be discussed at the Extraordinary Shareholders Meeting that will consider the reorganization.

**Section 9. Opposition Rights. Final Reorganization Agreement.**

Once the applicable corporate resolutions approving the terms of this Preliminary Reorganization Agreement are passed, the applicable Notices are published and the applicable waiting periods relating to the Opposition Rights have expired, the applicable Final Reorganization Agreement will be executed by public deed. Pursuant to Decree 267/15, the Final Reorganization Agreement may be executed subject to the applicable ENACOM authorizations. In addition, the transfer of ownership of buildings and other registrable assets (including trademarks) that are to be incorporated to the Surviving Company as a result of the Reorganization, may be included in the same public deed.

Particularly, in connection with the exercise of the opposition rights by the holders of Telecom Personal's Notes, Telecom Argentina shall be the successor corporation pursuant to the Section titled *Reorganization, Consolidations, Sales and Transfers* included in the terms of issuance of said notes. In addition, Telecom Argentina hereby expressly assumes, effective as of the Reorganization Effectiveness Date, Telecom Personal's obligations arising from Telecom Personal's Notes and their trust or fiscal agency agreements, if any; and shall deliver to the trustee or fiscal agent, if any, a Certificate issued by its Officers representing that the Reorganization complies with Telecom Personal's Notes and that all conditions precedent relating to the Reorganization have been complied with. Thus, Telecom Argentina shall be the successor and shall succeed, and shall become the substitute of, Telecom Personal, and shall be entitled to exercise all rights and powers of Telecom Personal, with the same effect as if it had been named in Telecom Personal's Notes and in their respective trust or fiscal agency agreements, if any. In such terms, the Reorganization is a merger authorized by the terms and conditions of issuance of Telecom Personal's Notes and their holders shall have no Opposition Rights to the Reorganization.

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**Section 10. Corporate Authorizations.**

The Participating Companies hereby represent that the execution of this Agreement, as well as all its terms and the accounting documents attached as annexes hereto, have been approved by a Board resolution of each of the Participating Companies.

The Participating Companies hereby agree to call their respective Sofora's Extraordinary Shareholders Meeting, Nortel's Extraordinary Shareholders Meeting, Telecom Argentina's Ordinary and Extraordinary Shareholders Meeting and Telecom Personal's Extraordinary Shareholders Meeting as soon as possible, for purposes of considering the Reorganization and all its relating documents pursuant to applicable law.

In addition, Nortel hereby agrees to call a Special Preferred B Shareholders Meeting of Nortel and a Special Common Stock Shareholders Meeting of Nortel for purposes of granting consent to the Reorganization and the Nortel's Preferred B Share Distribution Ratio per Telecom Argentina's Class B Shares. If an authorization or registration before the United States Securities and Exchange Commission is previously required, the Special Preferred B Shareholders Meeting of Nortel may be called once such authorization or registration is obtained, but such call shall not affect the Participating Companies' obligation to call their respective extraordinary shareholders meetings as soon as possible to consider the Reorganization.

In case any of the authorizations required for the execution of the Final Reorganization Agreement to be granted by the extraordinary or special shareholders meetings is not obtained, the Participating Companies may propose and accept amendments to the terms of the Preliminary Reorganization Agreement until the applicable corporate authorization is obtained, or they may elect not to include in the Reorganization the Party who has not obtained its corporate authorization, adjusting the terms of the Reorganization provided for in this Agreement.

**Section 11. Management.**

The Participating Companies hereby agree to continue with their ordinary course of business and not to impose any limitations on the management of their respective activities, nor grant any guaranties of complying with the regular performance of such activities until the Reorganization Effectiveness Date, on which date the management and representation of Telecom Personal, Nortel and Sofora shall be in charge of the managers and representatives of Telecom Argentina pursuant to the terms of Section 84 of the GCL and Telecom Argentina's bylaws. During the period between the execution of this Preliminary Reorganization Agreement and the Reorganization Effectiveness Date, the Participating Companies' boards of directors shall continue with their ordinary business affairs and their regular course of operations. If any of the Participating Companies proposes to undertake any

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extraordinary activity or operation, it shall inform the other Participating Companies so that they may assess whether such activity or operation affects the Reorganization and its terms under this Agreement. Telecom Argentina shall indicate which officers shall be appointed in each of the Absorbed Companies to perform all the acts and execute all the documents that might be necessary for the Absorbed Companies to execute or perform themselves directly.

**Section 12. Regulatory Authorizations. Administrative and Exchanges Approvals.**

The Participating Companies hereby agree to submit as soon as possible before regulatory and administrative authorities, and Argentine and foreign securities Exchanges, all the authorization requests that may be necessary for purposes of furthering and perfecting the Reorganization, including the Argentine National Securities Commission (Comisión Nacional de Valores or CNV), the Buenos Aires Stock Exchange, the Merval, the ENACOM, the U. S. Securities and Exchange Commission and any other governmental or other kind of entity from which an authorization may be necessary to further and perfect the Reorganization.

**Section 13. Subsequent Amendments.**

The Participating Companies may agree amendments to the terms of this Agreement with their boards of directors approval.

**Section 14. Applicable Law and Jurisdiction.**

This Preliminary Reorganization Agreement is governed by Argentine laws. Any conflicts arising from the interpretation or performance of this Agreement shall be submitted to the jurisdiction of the Ordinary Courts of the City of Buenos Aires and the Participating Companies hereby expressly waive any other jurisdiction.

IN WITNESS WHEREOF, the Participating Companies execute seven (7) counterparts to the same and only effect, one for each of the Participating Companies and the other three (3) for their submittal before the Argentine National Securities Commission (Comisión Nacional de Valores or CNV), the Buenos Aires Stock Exchange and the ENACOM, respectively.

**By Telecom Argentina S.A.**

/s/Mariano M. Ibáñez  
Mariano M. Ibáñez - Chairman



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**By Telecom Personal S.A.**

/s/Baruki L.A. González  
Baruki L.A. González - Chairman

**By Nortel Inversora S.A.**

/s/Baruki L.A. González  
Chairman

**By Sofora Telecomunicaciones S.A.**

/s/Saturnino J. Funes  
Chairman

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**ANNEXES TO THE PRELIMINARY REORGANIZATION AGREEMENT:**

Annexes I (A), I (B), I (C) y I (D): Special-Purpose Unconsolidated Financial Statements of Telecom Argentina, Telecom Personal, Nortel and Sofora as of December 31, 2016.

Annex II: Special-Purpose Combined Financial Statements as of December 31, 2016.

Annex III: Methodology of calculation of the Share Distribution Ratios.

Annex IV: Reasons and Economic and Financial Consequences of the Reorganization.

Annex V: Telecom Argentina's Statutory Amendments.



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Annex I(A)

Unaudited\* Special-Purpose Unconsolidated Financial Statements of Telecom Argentina, as of December 31, 2016.

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*\* The special-purpose unconsolidated financial statements attached hereto were prepared to comply with local Argentine laws and thus, were subject to an audit performed under International Standards on Auditing (ISAs). Such financial statements were not audited under PCAOB or US GAAS.*

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**TELECOM ARGENTINA S.A. (Surviving company)**

**SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2016**

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**SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016**

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**Special unconsolidated statement of financial position**  
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Alicia Moreau de Justo 50 Autonomous City of Buenos Aires

**SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2016**

Main activity of the Company: the provision, directly or through third parties or associated with third parties, of ICT Services, whether fixed, mobile, wired, wireless, national or international, with or without own infrastructure, within the framework of the applicable licenses, and the provision of Audiovisual Communication Services.

Date of Registration in the IGJ:

Of the bylaws: **July 13, 1990**

Of the last amendment: **September 26, 2015**

Date of expiration of the bylaws: **July 13, 2089**

Information on the controlling company in Note 4.a)

**CAPITAL STOCK**

**As of December 31, 2016**

(in Argentine pesos)

Type of shares	Registered, subscribed and authorized for offering (Note 5.a)		Total capital stock
	Outstanding shares	Treasury shares	
Ordinary shares of \$1 Argentine peso of nominal value each and entitled to one vote each:			
Class A	502,034,299		502,034,299
Class B	466,890,558	15,221,373	482,111,931
Class C	234,748		234,748
<b>Total</b>	<b>969,159,605</b>	<b>15,221,373</b>	<b>984,380,978</b>



Table of Contents**SPECIAL UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF DECEMBER 31, 2016**

(In millions of Argentine pesos)

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	244
Investments	193
Trade receivables	1,847
Other receivables	248
Inventories	10
<b>Total current assets</b>	<b>2,542</b>
<b>Non-Current Assets</b>	
Trade receivables	14
Other receivables	68
Income tax assets	677
Investments	10,255
Property, plant and equipment	11,453
Intangible assets	429
<b>Total non-current assets</b>	<b>22,896</b>
<b>TOTAL ASSETS</b>	<b>25,438</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Trade payables	2,507
Deferred revenues	100
Financial debt	41
Salaries and social security payables	1,220
Income tax payables	195
Other taxes payables	219
Other liabilities	52
Provisions	215
<b>Total current liabilities</b>	<b>4,549</b>
<b>Non-Current Liabilities</b>	
Trade payables	11
Deferred revenues	428
Salaries and social security payables	177
Income tax payables	7
Other liabilities	169
Provisions	761
<b>Total non-current liabilities</b>	<b>1,553</b>
<b>TOTAL LIABILITIES</b>	<b>6,102</b>
<b>EQUITY</b>	
Capital Stock Outstanding shares	969
Inflation adjustment of capital stock Outstanding shares	2,646
Capital Stock Treasury shares	15
Inflation adjustment of capital stock Treasury shares	42
Treasury shares acquisition cost	(461)
Legal reserve	734
Special reserve for IFRS implementation	351
Voluntary reserve for capital investments	3,191
Voluntary reserve for future investments	2,904

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Voluntary reserve for future dividends payments	4,272
Other comprehensive results	698
Retained earnings	3,975
<b>TOTAL EQUITY</b>	<b>19,336</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>25,438</b>

The accompanying notes are an integral part of this special unconsolidated statement of financial position.

Information on the main accounts is given in Note 3 to this special unconsolidated statement of financial position.

**Mariano Ibáñez**  
**Chairman of the Board of Directors**

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**NOTES TO THE SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016**

(In millions of Argentine pesos or otherwise expressly indicated)

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**GLOSSARY OF TERMS**

The following explanations are not intended as technical definitions, but to assist the general reader to understand certain terms as used in these special-purpose unconsolidated financial statements.

*Company or Telecom Argentina:* Telecom Argentina S.A.

*Personal or Telecom Personal:* Telecom Personal S.A.

*Nortel:* Nortel Inversora S.A.

*Sofora:* Sofora Telecomunicaciones S.A.

*Telecom USA:* Telecom Argentina USA Inc.

*BCBA (Bolsa de Comercio de Buenos Aires):* The Buenos Aires Stock Exchange.

*CNV (Comisión Nacional de Valores):* The Argentine National Securities Commission.

*CPCECABA (Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires):* The Professional Council of Economic Sciences of the City of Buenos Aires.

*ENACOM:* the Regulatory Authority, the National Communications Agency.

*FACPCE (Federación Argentina de Consejos Profesionales en Ciencias Económicas):* Argentine Federation of Professional Councils of Economic Sciences.

*Fintech:* Fintech Telecom LLC, Sofora's controlling company.

*IASB:* International Accounting Standards Board.

*IFRS:* International Financial Reporting Standards, as issued by the International Accounting Standards Board.

*IGJ (Inspección General de Justicia):* General Board of Corporations.

*LGS (Ley General de Sociedades):* Argentine Corporations Law No. 19,550 as amended. Since the enforcement of the new Civil and Commercial Code its name was changed to General Corporations Law.

*NYSE:* New York Stock Exchange.

*PP&E:* Property, plant and equipment.

*RT 26:* Technical Resolution No. 26 issued by the FACPCE, amended by RT 29 and RT 43.

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*SC (Secretaría de Comunicaciones):* The Argentine Secretary of Communications, former regulatory authority.

*SU:* The availability of Basic telephone service, or access to the public telephone network via different alternatives, at an affordable price to all persons within a country or specified area.

*WAI:* means W de Argentina Inversiones S.A.

*Participating Companies:* Sofora, Telecom Personal, Nortel and Telecom Argentina, all of them together.

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**NOTE 1 PURPOSE OF THE SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS**

On March 17, 2017 the Company was notified of the intention of Sofora's shareholders, indirect controlling company of Telecom Argentina, that the Boards of Directors of the Company shall evaluate a corporate reorganization (the Reorganization) among Sofora, Nortel and Telecom Personal (the Absorbed companies) and Telecom Argentina as the continuing company (the Surviving company). The purpose of the Reorganization is to simplify the corporate structure of Telecom Argentina in line with international standards and market practices.

The Reorganization shall be effective as of 12 am of the day in which the Presidents of the Board of Directors of the Participating Companies (hereinafter, the Reorganization Effectiveness Date), execute a minute of transfer of operations recording that: (i) Telecom Argentina has set up its technical-operational systems to assume Telecom Personal, Nortel and Sofora's operations and activities; and (ii) as of the Reorganization Effectiveness Date the transfer of the operations and activities of the Absorbed companies into Telecom Argentina is perfected because the following conditions to which the Reorganization is subject (the ENACOM's authorizations, the WAI's Sofora shares subject to amortization have been fully amortized and the final reorganization agreement has been executed, among others), have been complied with; as from that date the transfer of all the assets and liabilities of the Absorbed companies to the Surviving Company will be effective, causing the Surviving company to acquire ownership of all rights and assume all obligations and liabilities of any nature of the Absorbed companies, all subject to the corporate approvals required under the applicable regulations and the registration of the merger and dissolution without liquidation of the Absorbed companies before the IGJ.

Meanwhile, the Absorbed companies and Telecom Argentina are performing all the necessary procedures before the regulatory and administrative entities and stock exchanges and markets of the country and abroad (CNV, BCBA, Merval, ENACOM and any governmental or other entity), necessary to carry out and perfect the Reorganization.

Notwithstanding this, Telecom Argentina and the Absorbed companies agree to continue with the ordinary course of their business and agree neither to establish limitations on the administration of their respective activities nor to establish guarantees for compliance with the normal development thereof until the Reorganization is perfected.

The Participating Companies agree on a corporate reorganization through a merger by absorption of Sofora, Nortel and Telecom Personal, as Absorbed companies, into Telecom Argentina, as Surviving company, pursuant to the terms of Sections 82 and 83 of the LGS, and within the tax framework provided by Sections 77 et seq. of Law No. 20,628 of Income Tax, as amended and complemented, the CNV Regulations, the BCBA Regulations, the IGJ Regulations and other regulations applicable.

So, these special-purpose unconsolidated financial statements as of December 31, 2016 have been prepared with the only purpose of the Reorganization abovementioned.

**NOTE 2 BASIS OF PREPARATION OF THE SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

a) **Basis of preparation**

These special-purpose unconsolidated financial statements have been prepared in accordance with RT 26 of FACPCE (as amended and adopted by the CPCECABA), as required by the CNV.

Given its specific purpose described in Note 1, these special-purpose unconsolidated financial statements do not include the following statements: the special income statement, the special statement of changes in equity, the special statement of cash flows or the notes and other information required by IFRS.

These special-purpose unconsolidated financial statements are a free translation from the original special-purpose unconsolidated financial statements issued in Spanish and filed to the CNV in Argentina and contain the same information to the original version.

These special-purpose unconsolidated financial statements are presented in millions of pesos, so the accounting balances have been rounded. The effect of the aforementioned rounding is non-material for the special-purpose unconsolidated financial statements taken as a whole.

The preparation of these special-purpose unconsolidated financial statements in conformity with IFRS requires the Company's Management to use certain critical accounting estimates. Actual results could differ from those estimates.

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These special-purpose unconsolidated financial statements have been prepared on a going concern basis as there is a reasonable expectation that Telecom Argentina will continue its operational activities in the foreseeable future (and in any event with a time horizon of more than twelve months).

These special-purpose unconsolidated financial statements as of December 31, 2016 were approved by resolution of the Board of Directors meeting held on March 31, 2017.

b) **Significant accounting policies**

The following are the significant accounting policies used in the preparation of these special-purpose unconsolidated financial statements:

1) **Foreign currency balances**

At year-end exchange rate.

2) **Foreign currency translation**

The items included in the financial statements of each entity are recorded using the currency of the primary economic environment in which each entity carries out its activities ( the functional currency ). The financial statements are presented in Argentine pesos (\$), which is the functional currency of Telecom Argentina. The functional currency of the Company s foreign subsidiaries is represented by the legal tender of the country in which each company is located.

The financial statements of the Company s foreign subsidiary (Telecom USA) are translated using the exchange rates at the reporting date for assets and liabilities. The exchange differences resulting from the application of this method are recorded to Other Comprehensive Results.

3) **Financial instruments**

3.1) **Financial assets**

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Financial assets and liabilities, on initial recognition, are measured at transaction price as of the acquisition date. Financial assets are derecognized in the financial statement when the rights to receive cash flows from them have expired or have been transferred and the Company has transferred substantially all the risks and benefits of ownership.

Upon acquisition, in accordance with IFRS 9, financial assets are subsequently measured at either amortized cost, or fair value, on the basis of both:

(a) the entity's business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

(a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Additionally, for assets that met the abovementioned conditions, IFRS 9 provides for an option to designate, at inception, those assets as measured at fair value if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A financial asset that is not measured at amortized cost according to the paragraphs above is measured at fair value.

Financial assets include:

### **Cash and cash equivalents**

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and their original maturity or the remaining maturity at the date of purchase does not exceed three months.

Cash and cash equivalents are recorded, according to their nature, at fair value or amortized cost.

Time deposits are valued at their amortized cost.

Investments in other short-term investments are carried at fair value.

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**Trade and other receivables**

Trade and other receivables classified as either current or non-current assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less allowances for doubtful accounts.

**Investments**

During 2016, Telecom Argentina received government bonds from the Government of the Province of Mendoza and the province of Buenos Aires, denominated in pesos that bear an interest rate in pesos. These securities were valued at amortized cost.

Those National, Provincial and Municipal Governments bonds denominated in foreign currency whose initial intention is to keep them until their maturity, are measured at amortized cost and bear an interest in foreign currency. In this particular case, Management estimated the US Dollar denominated cash flows to be generated until maturity and compared that amount to the fair value of the instrument in US Dollars at the acquisition date. The acquisition cost in US Dollars has been adjusted by applying the IRR and the resulting value was converted to Argentine pesos using the exchange rate as of the date of measurement.

Likewise, Telecom Argentina had acquired Government bonds. Taking into account the business model chosen to manage these financial assets, and according to the provisions of IFRS 9, these bonds are recorded at their fair value.

**Impairment of financial assets**

At every annual date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. If any such evidence exists, an impairment loss is recognized in the income statement.

Certain circumstances of impairment of financial assets that the Company assesses to determine whether there is objective evidence of an impairment loss could include: delay in the payments received from customers; customers that enter bankruptcy; the disappearance of an active market for that financial asset because of financial difficulties; observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets, significant financial difficulty of the obligor, among others.

**3.2) Financial liabilities**

Financial liabilities comprise trade payables, financial debt, salaries and social security payables (see 12) below) and certain other liabilities.



Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Amortized cost represents the initial amount net of principal repayments made, adjusted by the amortization of any differences between the initial amount and the maturity amount using the effective interest method.

4) **Inventories**

Inventories are measured at the lower of cost and estimated net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowances are made for obsolete and slow-moving inventories.

5) **Non-current investments**

The equity interest in controlled companies is valued at the equity method net of results not transferred to third parties, determined on the basis of year-end financial statements and prepared with similar accounting policies as those used in the preparation of these special-purpose unconsolidated financial statements.

The Management of the Company has not been aware of facts that could change the financial position or results of subsidiaries as of December 31, 2016 as from the date of approval of their financial statements, which have a significant impact on the valuation of the investments at that date.

The 2003 Telecommunications Fund is recorded at fair value.

6) **PP&E**

PP&E is stated at acquisition or construction cost. Subsequent expenditures are capitalized only when they represent an improvement, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other subsequent costs are recognized as expense in the period in which they are incurred, unless they are improvements. When a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items if they are significant.

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PP&E cost also includes the expected costs of dismantling the asset and restoring the site if a legal or constructive obligation exists. The corresponding liability is recognized in the statement of financial position under Provisions line item at its present value.

The accounting estimates for dismantling costs, including discount rates, and the dates in which such costs are expected to be incurred are annually reviewed. Changes in the above liability are recognized as an increase or decrease of the cost of the relative asset and are depreciated prospectively.

The depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously taking into account, among others, technological obsolescence, maintenance and condition of the assets and different intended use from previous estimates. The effect of such changes is recognized prospectively in the income statement.

7) **Intangible assets**

Intangible assets are recognized when the following conditions are met: the asset is separately identifiable, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Intangible assets with a finite useful life are stated at cost, less accumulated amortization and impairment losses, if any.

Intangible assets with an indefinite useful life are stated at cost, less accumulated impairment losses, if any.

Intangible assets comprise the following:

• **Subscriber acquisition costs ( SAC )**

Direct and incremental costs incurred for the acquisition of new subscribers with a minimum contractual period are capitalized when the conditions for the recognition of an intangible asset are met.

The cost of acquiring broadband subscribers meet the conditions established by IFRS for its recognition as intangible asset, since these contracts establish a minimum contractual period, which guarantees minimum monthly income by installments and, in the event of early cancellation, grants the right to cancel bonuses granted at the beginning of the contractual relationship (i.e, equipment bonuses).

Capitalized SAC are amortized on a straight-line basis over the term of the contract with the customer acquired.

On August 17, 2016, Law No. 27,265 (in force since August 29, 2016) was published in the Official Bulletin incorporating an amendment to Law No. 24,240 of Consumer Protection. This incorporation (in Section 10 quarter) establishes the prohibition of collection of advance notice, advance month and/or any other concept, by service providers, including public services, in the cases of unsubscription request made by subscribers, either in a personal, telephonic, electronic or similar way. In this sense, since last quarter of 2016, the Company complies with these regulations, where applicable, and the Company's Management will continue assessing the effects of the new regulations in its SAC capitalization policies.

• *Service connection or habilitation costs*

Direct costs incurred for connecting customers to the network are accounted for as intangible assets and then amortized over the term of the contract with the customer if required conditions are met. For indefinite period contracts, the deferral of these costs is limited to the amount of non contingent revenue from the customer and expensed over the average period life of the customer relationship. Costs exceeding that amount are expensed as incurred. Connection costs are generated mainly for the installation of fixed lines and amortized over an average period of 8 years.

• *Rights of use*

The Company purchases network capacity under agreements which grant the exclusive right to use a specified amount of capacity for a specified period of time. Acquisition costs are capitalized as intangible assets and amortized over the terms of the respective capacity agreements, generally 180 months.

• *Exclusivity agreements*

Exclusivity agreements were entered into with certain retailers and third parties relating to the promotion of the Company's services and products. Amounts capitalized are being amortized over the life of the agreements, with expiration up to year 2028.

• *Customer relationships*

Customer relationships identified as part of the purchase price allocation performed upon the acquisition of Cubecorp Argentina S.A. (a company engaged in data center business) in financial year 2008, are being amortized over the estimated duration of the relationship for customers in the data center business (180 months).



Table of Contents8) LeasesFinance leases

Leases that transfer substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. The Company recognizes finance leases as assets and liabilities in its statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Subsequently, minimum lease payments are apportioned between a finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

As of December 31, 2016 the Company holds finance leases which represents current commercial liabilities in the amount of \$47 and non-current commercial liabilities of \$11. The total payable at these leases maturity amounts to \$61. PP&E related to these financial leases and several of the mentioned leases contracts characteristics as of December 31, 2016 are detailed below:

	Book value	Lease term	Depreciation
PP&E Computer equipment	77	3 years	3 years
Accumulated depreciation	(37)		
Net carrying value as of December 31, 2016	<b>40</b>		

9) Impairment of PP&E and intangible assets

At least annually, the Company assesses whether there are any indicators of impairment of assets that are subject to amortization. Both internal and external sources of information are used for this purpose. Internal sources include, among others, obsolescence or physical damage of the asset, and significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include, among others, the market value of the asset, changes in technology, markets or laws, increases in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Company over market capitalization.

The carrying value of an asset is considered impaired by the Company when it is higher than its recoverable amount. In that event, a loss shall be recognized in the statement of income.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and

the risks specific to the evaluated asset.

Where it is not possible to estimate the recoverable value of an unconsolidated asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have been recorded if no impairment loss had been recognized.

During 2016, Telecom Argentina has assessed the recoverability of certain works in progress and materials related to AFA Plus Project, recording an impairment for the total book value of the assets involved in an amount of \$143.

Likewise, in 2016 Telecom Argentina has assessed the recoverability of a group of former work in progress and other assets, recording an impairment of \$30 as of December 31, 2016 (equivalent to its book value).

#### 10) **Other liabilities**

##### Pension benefits

Argentine laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed fund plans to which employees may elect to contribute. Amounts payable to such plans are accounted for on an accrual basis. The Company does not sponsor any stock option plan.

Pension benefits shown under Other liabilities represent benefits under collective bargaining agreements for employees who retire upon reaching normal retirement age, or earlier due to disability in Telecom Argentina. Benefits consist of the payment of a single lump sum equal to the salary of one month for each five years of service. There is no vested benefit obligation until the occurrence of those conditions. The collective bargaining agreements do not provide for other post-retirement benefits such as life insurance, health care, and other welfare benefits.

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Actuarial assumptions and demographic data, as applicable, were used to measure the benefit obligation as required by IAS 19 revised. The Company does not make plan contributions or maintain separate assets to fund the benefits at retirement.

The actuarial assumptions used are based on market interest rates, past experience and Management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. The main assumptions used in determining expense and benefit obligations are the following rates and salary ranges:

	<b>2016</b>
Discount rate (1)	4.8% - 6.2%
Projected increase rate in compensation (2)	8.0% - 22.5%

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(1) Represents estimates of real rate of interest rather than nominal rate in \$.

(2) In line with an estimated inflationary environment for the next three financial years.

Legal fee

Pursuant to Law No. 26,476 - Tax Regularization Regime ( Régimen de Regularización Impositiva Ley N° 26,476 ), the Company is subject to a legal fee which shall be paid in twelve monthly consecutive installments without interest as from final judgment. It is carried at amortized cost.

**11) Deferred revenues**

Deferred revenues include:

Deferred revenues on prepaid calling cards

Revenues from unused traffic and data packs for unexpired calling cards are deferred and recognized as revenue when the minutes and the data are used by customers or when the card expires, whichever happens first.

Deferred revenues on connection fees

Non-refundable up-front connection fees for fixed telephony, data and Internet services that are non-separable from the service are accounted for as a single transaction and deferred over the term of the contract, or in the case of indefinite period contracts, over the average period of customer relationship.

Deferred revenue on sale of capacity and related services

Under certain network capacity purchase agreements, the Company sells excess purchased capacity to other carriers. Revenues are deferred and recognized as services are provided.

**12) Salaries and social security payables**

Include unpaid salaries, vacation and bonuses and its related social security contributions, as well as termination benefits. See 3.2) above for a description of the accounting policy regarding the measurement of financial liabilities.

Termination benefits represent severance indemnities that are payable when employment is terminated in accordance with labor regulations and current practices, or whenever an employee accepts voluntary redundancy in exchange for these benefits. In the case of severance compensations resulting from agreements with employees leaving the Company upon acceptance of voluntary redundancy, the compensation is usually comprised of a special cash bonus paid upon signing the severance agreement, and in certain cases may include a deferred compensation, which is payable in monthly installments calculated as a percentage of the prevailing wage at the date of each payment ( *prejubilaciones* ). The employee's right to receive the monthly installments mentioned above starts on the date they leave the Company and ends either when they reach the legal mandatory retirement age or upon the decease of the beneficiary, whichever occurs first.

**13) Taxes payables**

The Company is subject to different taxes and levies such as municipal taxes, tax on deposits to and withdrawals from bank accounts, turnover taxes, regulatory fees and income taxes, among others, that represent an expense for the Company. It is also subject to other taxes over its activities that generally do not represent an expense (VAT).

The principal taxes that represent an expense for the Company are the following:



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• *Income taxes*

The Company records income taxes in accordance with IAS 12.

Deferred taxes are recognized using the liability method. Temporary differences arise when the tax base of an asset or liability differs from their carrying amounts. A deferred income tax asset or liability is recognized on those differences, except for those differences related to investments in subsidiaries that generate a deferred income tax liability, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The statutory income tax rate in Argentina is 35%.

**Income tax - Actions for recourse filed with the Tax Authority**

Section 10 of Law No. 23,928 and Section 39 of Law No. 24,073 suspended the application of the provisions of Title VI of the Income Tax Law relating to the income tax inflation adjustment since April 1, 1992.

Accordingly, Telecom Argentina and its domestic subsidiaries determined its income tax obligations in accordance to those provisions, without taking into account the income tax inflation adjustment.

After the economic crisis of 2002, many taxpayers began to question the legality of the provisions suspending the income tax inflation adjustment. Also, the Argentine Supreme Court of Justice issued its verdict in the Candy case (07/03/2009) in which it stated that particularly for fiscal year 2002 and considering the serious state of disturbance of that year, the taxpayer could demonstrate that not applying the income tax inflation adjustment resulted in confiscatory income tax rates.

More recently, the Argentine Supreme Court of Justice applied a similar criterion to the 2010, 2011 and 2012 fiscal years in the cases brought by Distribuidora Gas del Centro (10/14/2014, 06/02/2015 and 10/04/2016), enabling the application of income tax inflation adjustment for periods not affected by a severe economic crisis such as 2002.

According to the above-mentioned new legal background that the Company took knowledge during 2015, and after making the respective assessments, Telecom Argentina filed during 2015 and 2016 actions for recourse with the AFIP to claim the full tax overpaid for fiscal years 2009, 2010 and 2011 for a total amount of \$371 plus interest, under the argument that the lack of application of the income tax inflation adjustment is confiscatory.

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As of the date of issuance of these special-purpose unconsolidated financial statements, the actions for recourse filed are pending of resolution by the Tax Authority. However, the Company's Management, with the assessment of its tax advisor, considers that the arguments presented in those recourse actions follow the same criteria as the one established by the Argentine Supreme Court of Justice jurisprudence mentioned above, among others, which should allow the Company to obtain a favorable resolution of actions of recourse filed.

Consequently, the income tax determined in excess qualifies as a tax credit in compliance with IAS 12 and the Company recorded a non-current tax credit of \$466 as of December 31, 2016 (\$98 were recorded in fiscal year 2015 and \$368 in fiscal year 2016, reducing Income tax cost). For the measurement of the tax credit, the Company has estimated the amount of the tax determined in excess for all fiscal years not covered by the statute of limitation (2009-2016) weighting the likelihood of certain variables according to the jurisprudential antecedents known until such date. The Company's Management will assess Tax Authority's resolutions related to actions of recourse filed as well as the jurisprudence evolution in order to annually re-measure the tax credit recorded.

- *Turnover tax*

The Company is subject to a tax levied on financial income. Rates differ depending on the jurisdiction where revenues are earned for tax purposes and on the nature of revenues (services or equipment).

- *Other taxes and levies*

Since the beginning of 2001, telecommunication services companies have been required to make a SU contribution to fund SU requirements. The SU 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 SU tax and other deductions stated by regulations. The rate is 1% of total billed revenues and adopts the pay or play mechanism for compliance with the mandatory contribution to the SU fund.

Table of Contents**14) Provisions**

The Company records provisions for risks and charges when it has a present obligation, legal or constructive, to a third party, as a result of a past event, when it is probable that an outflow of resources will be required to satisfy the obligation and when the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash flows, taking into account the risks associated with the obligation.

Provisions also include the expected costs of dismantling assets and restoring the corresponding site if a legal or constructive obligation exists, as mentioned in 6) above. The accounting estimates for dismantling costs, including discount rates, and the dates in which such costs are expected to be incurred are reviewed annually, at each financial year-end.

**15) Treasury Shares Acquisition**

In connection with the Telecom Argentina's Treasury Shares Acquisition Process, Telecom Argentina has applied the guidance set forth in IAS 32, which provides, consistently with the CNV Regulations, that any instruments of its own equity acquired by Telecom Argentina must be recorded at the acquisition cost and must be deducted from Equity under the caption "Treasury shares acquisition cost". No profit or loss resulting from holding such instruments of own Equity shall be recognized in the income statement. If the treasury shares are sold, the account "Treasury shares acquisition cost" shall be recorded within Equity under the "Treasury shares negotiation premium" caption. If such difference is negative, the resulting amount shall be recorded within Equity under the "Treasury shares negotiation discount" caption.

**NOTE 3 BREAKDOWN OF THE MAIN ACCOUNTS OF THE SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016****CURRENT ASSETS****a) Cash and cash equivalents**

Cash	6
Banks	77
Time deposits	61
Other short-term investments	100
	<b>244</b>

**b) Investments**

Government bonds at fair value	184
Provincial government and Municipal bonds at amortized cost	9
	<b>193</b>

**c) Trade receivables**

Services and equipment	1,921
Balances with Companies Law No. 19,550	98
Allowance for doubtful accounts	(172)
	<b>1,847</b>

**d) Other receivables**

Prepaid expenses	139
Tax credits	31
Restricted funds	26
PP&E disposal receivables	17
Tax on personal property on behalf of Shareholders	8
Other	37
Allowance for doubtful accounts	(10)
	<b>248</b>

**e) Inventories**

Fixed telephones and equipment	11
Allowance for obsolescence of inventories	(1)
	<b>10</b>

**NON CURRENT ASSETS****f) Trade receivables**

Services	14
	<b>14</b>



Table of Contents**g) Other receivables**

Credit on SC Resolution No. 41/07 and IDC	57
Prepaid expenses	42
Tax on personal property on behalf of Shareholders	18
Restricted funds	16
Tax credits	1
Balances with Companies Law No. 19,550	1
Other	8
Allowance for regulatory matters	(57)
Allowance for tax on personal property	(18)
	<b>68</b>

**h) Income tax assets**

<i>Deferred tax assets:</i>	
Allowance for doubtful accounts	86
Provisions	341
Termination benefits	82
Other, net	262
<i>Deferred tax liabilities:</i>	
PP&E	(477)
Intangible assets	(83)
	<b>Total net deferred tax assets</b>
	<b>211</b>
Actions for recourse tax receivable	466
	<b>677</b>

**i) Investments**

Personal	10,163
Telecom USA	83
Provincial government and Municipal bonds at amortized cost	8
2003 Telecommunications Fund	1
	<b>10,255</b>

**j) PP&E**

Land, buildings and installations	1,059
Computer equipment and software	774
Switching and transmission equipment	2,631
Mobile network access and external wiring	4,545
Construction in progress	1,646
Other tangible assets	284

	<b>Subtotal PP&amp;E</b>	<b>10,939</b>
Materials		730
Impairment of PP&E		(173)
Valuation allowance for materials and impairment of materials		(43)
		<b>11,453</b>

**k) Intangible assets**

Rights of use and exclusivity agreements	213
Service connection or habilitation costs	119
SAC fixed services	96
Other intangible assets	1
	<b>429</b>

**CURRENT LIABILITIES****l) Trade payables**

PP&E	1,340
Other assets and services	983
Inventory	1
Balances with Companies Law No. 19,550	183
	<b>2,507</b>

**m) Deferred revenues**

On capacity rental	40
On connection fees	35
Balances with Companies Law No. 19,550	13
On prepaid calling cards	12
	<b>100</b>

**n) Financial debt**

Bank overdrafts principal	41
	<b>41</b>

Table of Contents**o) Salaries and social security payables**

Vacation and bonuses	811
Social security payables	292
Termination benefits	117
	<b>1,220</b>

**p) Income tax payables**

Income tax payables	465
With holdings and payments in advance of income taxes	(275)
Law No. 26,476 Tax Regularization Regime	5
	<b>195</b>

**q) Other taxes payables**

Tax withholdings	121
VAT, net	49
Turnover tax	23
Municipal taxes	18
Tax on personal property on behalf of Shareholders	8
	<b>219</b>

**r) Other liabilities**

Compensation for directors and members of the Supervisory Committee	32
Guarantees received	10
Other	10
	<b>52</b>

**s) Provisions**

Civil and commercial proceedings	103
Labor claims	73
Regulatory, tax and other matters claims	39
	<b>215</b>

**NON CURRENT LIABILITIES**



**t) Trade payables**

PP&E	11
	<b>11</b>

**u) Deferred revenues**

On capacity rental	234
On connection fees	87
Balances with Companies Law No. 19,550	107
	<b>428</b>

**v) Salaries and social security payables**

Termination benefits	142
Bonuses	35
	<b>177</b>

**w) Income tax payables**

Law No. 26,476 Tax Regularization Regime	7
	<b>7</b>

**x) Other liabilities**

Pension benefits	164
Legal fees	4
Other	1
	<b>169</b>

**y) Provisions**

Civil and commercial proceedings	122
Labor claims	266
Regulatory, tax and other matters claims	297
Asset retirement obligations	76
	<b>761</b>

**NOTE 4 CONTROLLING COMPANY AND BALANCES WITH COMPANIES LAW No. 19,550**

a) **Controlling company**

Nortel, residing in A. Moreau de Justo 50 - 13th floor Autonomous City of Buenos Aires, holds 54.74% stake in the Company, meaning that exercises control of the Company in the terms of Section 33 of Law No. 19,550. As of December 31, 2016, Nortel owns all of the Class A Preferred shares (51% of total shares of the Company) and 7.64% of the Class B Preferred shares (3.74% of total shares of the Company).

As a result of the Company's Treasury Shares Acquisition Process described in Note 5.c), Nortel's equity interest in Telecom Argentina amounts to 55.60% of the Company's outstanding shares as of December 31, 2016. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders Meetings.

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All of the common shares of Nortel belong to Sofora. As of December 31, 2016 these shares represent 78.38% of the capital stock of Nortel.

Sofora's capital stock consists of shares of common stock, with a par value of \$1 Argentine peso each and one vote per share. As of December 31, 2016, Sofora's shares are held by Fintech Telecom LLC (68%) and W de Argentina - Inversiones S.A. (32%). Additionally, Fintech holds 58,173,522 Class B shares of Telecom Argentina, which represent 5.91% of Telecom Argentina's total capital stock.

Fintech Telecom LLC, a Delaware (United States) limited liability company, is a wholly-owned direct subsidiary of Fintech Advisory Inc. and its primary purpose is to hold, directly and indirectly, the securities of Telecom Argentina. Fintech Advisory Inc., a Delaware (United States) company, is directly controlled by Mr. David Martínez (a member of Telecom Argentina's Board of Directors). Fintech Advisory Inc. is an investor and investment manager in equity and debt securities of sovereign and private entities primarily in emerging markets.

On March 17, 2017, within the framework of the Reorganization described in Note 1, Sofora's shareholders have agreed to the total amortization of the 32% of WAI's equity interest in Sofora. Once this amortization has been perfected, Fintech Telecom LLC will control 100% of Sofora's capital stock, consolidating all of Sofora's economic and corporate rights.

### b) **Balances with Companies Law No. 19,550 as of December 31, 2016**

<b>CURRENT ASSETS</b>	
<b>Trade receivables</b>	
Núcleo	98
	<b>98</b>
<b>NON CURRENT ASSETS</b>	
<b>Other receivables</b>	
Núcleo	1
	<b>1</b>
<b>CURRENT LIABILITIES</b>	
<b>Trade payables</b>	
Personal	144
Telecom USA	39
	<b>183</b>
<b>Deferred revenues</b>	
Personal	13
	<b>13</b>
<b>NON CURRENT LIABILITIES</b>	
<b>Deferred revenues</b>	
Personal	107
	<b>107</b>

### **NOTE 5 EQUITY**

**(a) Capital information**

The total capital stock of Telecom Argentina amounted to \$984,380,978, represented by an equal number of ordinary shares, of \$1 Argentine peso of nominal value, of which 969,159,605 treasury shares are entitled to one vote. The capital stock is fully integrated and registered with the IGJ.

The Company's shares are authorized by the CNV, the Buenos Aires Stock Exchange (the BCBA) and the New York Stock Exchange (the NYSE) for public trading. Only Class B shares are traded since Nortel owns all of the outstanding Class A shares; and Class C shares are dedicated to the employee stock ownership program, as described below.

Each ADS represents 5 Class B shares and are traded on the NYSE under the ticker symbol TEO.

**(b) Share Ownership Plan ( PPP )**

In December 1992, a Decree from the Argentine government, which provided for the creation of the Company upon the privatization of ENTel, established that 10% of the capital stock then represented by 98,438,098 Class C shares was to be included in the PPP (an employee share ownership program sponsored by the Argentine government). Pursuant to the PPP, the Class C shares were held by a trustee for the benefit of former employees of the state-owned company who remained employed by the Company and who elected to participate in the plan.

In 1999, Decree No. 1,623/99 of the Argentine government eliminated the restrictions on some of the Class C shares held by the PPP, although it excluded Class C shares of the Fund of Guarantee and Repurchase subject to an injunction against their use. In March 2000, the shareholders meeting of the Company approved the conversion of up to unrestricted 52,505,360 Class C shares into Class B shares (these shares didn't belong to the Fund of Guarantee and Repurchase), most of which was sold in a secondary public offering in May 2000.

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The Annual General and Extraordinary Meetings held on April 27, 2006, approved that the power for the additional conversion of up to 41,339,464 Class C ordinary shares into the same amount of Class B ordinary shares, be delegated to the Board of Directors. As granted by the Meetings, the Board transferred the powers to convert the shares to some of the Board's members and/or the Company's executive officers. As of December 31, 2011, all the 41,339,464 shares were converted into Class B ordinary shares in eleven tranches.

The remaining 4,593,274 Class C shares were affected by an injunction measure recorded in file *Garcías de Vicchi, Amerinda y otros c/ Sindicación de Accionistas Clase C del Programa de Propiedad Participada s/nulidad de acto jurídico*, which was released. The General Ordinary and Extraordinary and Special Class C Shares Meetings held on December 15, 2011, approved that the power for the additional conversion of up to 4,593,274 Class C shares into the same amount of Class B shares in one or more tranches, be delegated to the Board of Directors. Of such amount, 4,358,526 Class C shares have already been converted into Class B shares in 10 tranches.

As of the date of issuance of these consolidated financial statements, 234,748 Class C shares are still pending to be converted into Class B shares.

**(c) Acquisition of Treasury Shares**

The Company's Ordinary Shareholders Meeting held on April 23, 2013, which was adjourned until May 21, 2013, approved at its second session of deliberations, the creation of a Voluntary Reserve for Capital Investments of \$1,200, granting powers to the Company's Board of Directors to decide its total or partial application, and to approve the methodology, terms and conditions of such investments.

In connection with the foregoing, on May 22, 2013, Telecom Argentina's Board of Directors approved a Treasury Shares Acquisition Program of Telecom Argentina in the market in Argentine pesos (the Treasury Shares Acquisition Program) for the purpose of avoiding any possible damages to Telecom Argentina and its shareholders derived from fluctuations and unbalances between the shares price and Telecom Argentina's solvency, for the following maximum amount and with the following deadline:

- Maximum amount to be invested: \$1,200.
- Deadline for the acquisitions: until April 30, 2014.

According to the offer made on November 7, 2013 by Fintech Telecom LLC for the acquisition of the controlling interest of the Telecom Italia Group in Telecom Argentina, Telecom Argentina suspended the acquisition of treasury shares and its Board of Directors considered appropriate to request the opinion of the CNV on the applicability of the new provisions contained in the rules issued by that entity (Title II, Chapter I, Section 13 and concurring) with respect to the continuation of the Treasury Shares Acquisition Program.

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The CNV did not answer the Company's request and the Telecom Argentina's Board of Directors, at its meeting held on May 8, 2014, decided to conclude the request considering that the Treasury Shares Acquisition Program finished on April 30, 2014, which had been approved by Telecom Argentina's Board of Directors Meeting held on May 22, 2013.

Telecom Argentina's Board of Directors, at its meeting held on June 27, 2014, decided to request a new opinion from the CNV to confirm whether Telecom Argentina is obliged to refrain from acquiring treasury shares in the market under Section 13, Chapter I, Title II of the CNV rules (NT 2013).

Pursuant to Section 67 of Law No. 26,831, the Company must sell its treasury shares within three years of the date of acquisition. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings. No restrictions apply to Retained Earnings as a result of the creation of a specific reserve for such purposes named "Voluntary Reserve for Capital Investments", which, as of December 31, 2016 amounted to \$3,191. On April 29, 2016, the Ordinary and Extraordinary Shareholders' Meeting approved an additional 3-year extension for the disposal due date of treasury shares provided by Section 67 of Law No. 26,831.

As of December 31, 2016, the Company owns 15,221,373 treasury shares, representing 1.55% of its total capital. The acquisition cost of these shares in the market amounted to \$461.

**Mariano Ibáñez**  
**Chairman of the Board of Directors**

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**Annex I(B)**

Unaudited\* Special-Purpose Unconsolidated Financial Statements of Telecom Personal as of December 31, 2016.

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*\* The special-purpose unconsolidated financial statements attached hereto were prepared to comply with local Argentine laws and thus, were subject to an audit performed under International Standards on Auditing (ISAs). Such financial statements were not audited under PCAOB or US GAAS.*

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TELECOM PERSONAL S.A. (Absorbed company)

**SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2016**

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AS OF DECEMBER 31, 2016**

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Alicia Moreau de Justo 50 Autonomous City of Buenos Aires

**SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2016**

Main activity of the company: **the provision, directly or through third parties or associated with third parties, of ICT Services, whether fixed, mobile, wired, wireless, national or international, with or without own infrastructure, within the framework of the applicable licenses, and the provision of Audiovisual Communication Services.**

Date of registration in the IGJ:

Of the bylaws: **August 8, 1994**

Of the last amendment: **January 25, 2016**

Date of expiration of the bylaws: **August 8, 2093**

Information on the controlling company in Note 4.a)

**CAPITAL STOCK**

**AS OF DECEMBER 31, 2016**

(in Argentine pesos)

	<b>Registered, subscribed and fully paid (Note 5)</b>
Ordinary shares of \$1 Argentine peso of nominal value each and entitled to one vote each	<b>1,552,572,405</b>

Table of Contents**SPECIAL UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF DECEMBER 31, 2016**

(In millions of Argentine pesos)

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	3,583
Investments	1,558
Trade receivables	5,693
Other receivables	688
Inventories	1,209
<b>Total current assets</b>	<b>12,731</b>
<b>Non-Current Assets</b>	
Other receivables	348
Investments	1,444
Property, plant and equipment	9,541
Intangible assets	7,086
<b>Total non-current assets</b>	<b>18,419</b>
<b>TOTAL ASSETS</b>	<b>31,150</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Trade payables	6,082
Deferred revenues	314
Financial debt	2,999
Salaries and social security payables	385
Income tax payables	509
Other taxes payables	919
Other liabilities	14
Provisions	56
<b>Total current liabilities</b>	<b>11,278</b>
<b>Non-Current Liabilities</b>	
Trade payables	141
Deferred revenues	106
Financial debt	8,318
Salaries and social security payables	7
Deferred income tax liabilities	555
Other liabilities	1
Provisions	581
<b>Total non-current liabilities</b>	<b>9,709</b>
<b>TOTAL LIABILITIES</b>	<b>20,987</b>
<b>EQUITY</b>	
Capital Stock	1,553
Inflation adjustment of capital stock	349
Legal reserve	380
Special reserve for IFRS implementation	405
Voluntary reserve for future investments and working capital financing	1,470
Voluntary reserve for future dividends payments	2,536
Other comprehensive results	658
Retained earnings	2,812
<b>TOTAL EQUITY</b>	<b>10,163</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>31,150</b>

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The accompanying notes are an integral part of this special unconsolidated statement of financial position.

Information on the main accounts is given in Note 3 to this special unconsolidated statement of financial position.

**Baruki González**  
**Chairman of the Board of Directors**

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**NOTES TO THE SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016**

(In millions of Argentine pesos or otherwise expressly indicated)

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**GLOSSARY OF TERMS**

The following explanations are not intended as technical definitions, but to assist the general reader to understand certain terms as used in these special-purpose unconsolidated financial statements.

*Company or Personal or Telecom Personal:* Telecom Personal S.A.

*Nortel:* Nortel Inversora S.A.

*Sofora:* Sofora Telecomunicaciones S.A.

*Telecom Argentina:* Telecom Argentina S.A.

*BCBA (Bolsa de Comercio de Buenos Aires):* The Buenos Aires Stock Exchange.

*CNV (Comisión Nacional de Valores):* The Argentine National Securities Commission.

*CPCECABA (Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires):* The Professional Council of Economic Sciences of the City of Buenos Aires.

*ENACOM:* the Regulatory Authority, the National Communications Agency.

*ENARD (Ente Nacional de Alto Rendimiento Deportivo):* National High Sport Performance Organization.

*FACPCE (Federación Argentina de Consejos Profesionales en Ciencias Económicas):* Argentine Federation of Professional Councils of Economic Sciences.

*Fintech*: Fintech Telecom LLC, Sofora's controlling company.

*IASB*: International Accounting Standards Board.

*IFRS*: International Financial Reporting Standards, as issued by the International Accounting Standards Board.

*IGJ (Inspección General de Justicia)*: General Board of Corporations.

*LGS (Ley General de Sociedades)*: Argentine Corporations Law No. 19,550 as amended. Since the enforcement of the new Civil and Commercial Code its name was changed to General Corporations Law.

*NDF*: Non-Deliverable Forward.

*Núcleo*: Núcleo S.A.

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

*PEN*: National Executive Power.

*Personal Envíos*: Personal Envíos S.A.

*PP&E*: Property, plant and equipment.

*RT 26*: Technical Resolution No. 26 issued by the FACPCE, amended by RT 29 and RT 43.

*SC (Secretaría de Comunicaciones)*: The Argentine Secretary of Communications, former regulatory authority.

*SU*: The availability of Basic telephone service, or access to the public telephone network via different alternatives, at an affordable price to all persons within a country or specified area.

*WAI*: means W de Argentina Inversiones S.A.

*Participating Companies*: Sofora, Telecom Personal, Nortel and Telecom Argentina, all of them together.



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**NOTE 1 PURPOSE OF THE SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS**

On March 17, 2017 the Company was notified of the intention of Sofora's shareholders, indirect controlling company of Personal, that the Boards of Directors of the Company shall evaluate a corporate reorganization ( the Reorganization ) among Sofora, Nortel and Telecom Personal ( the Absorbed companies ) and Telecom Argentina as the continuing company ( the Surviving company ). The purpose of the Reorganization is to simplify the corporate structure of Telecom Argentina in line with international standards and market practices.

The Reorganization shall be effective as of 12 am of the day in which the Presidents of the Board of Directors of the Participating Companies (hereinafter, the Reorganization Effectiveness Date ), execute a minute of transfer of operations recording that: (i) Telecom Argentina has set up its technical-operational systems to assume Telecom Personal, Nortel and Sofora's operations and activities; and (ii) as of the Reorganization Effectiveness Date the transfer of the operations and activities of the Absorbed companies into Telecom Argentina is perfected because the following conditions to which the Reorganization is subject (the ENACOM's authorizations, the WAI's Sofora shares subject to amortization have been fully amortized and the final reorganization agreement has been executed, among others), have been complied with; as from that date the transfer of all the assets and liabilities of the Absorbed companies to the Surviving Company will be effective, causing the Surviving company to acquire ownership of all rights and assume all obligations and liabilities of any nature of the Absorbed companies, all subject to the corporate approvals required under the applicable regulations and the registration of the merger and dissolution without liquidation of the Absorbed companies before the IGJ.

Meanwhile, the Absorbed companies and Telecom Argentina are performing all the necessary procedures before the regulatory and administrative entities and stock exchanges and markets of the country and abroad (CNV, BCBA, Merval, ENACOM and any governmental or other entity), necessary to carry out and perfect the Reorganization.

Notwithstanding this, Telecom Argentina and the Absorbed companies agree to continue with the ordinary course of their business and agree neither to establish limitations on the administration of their respective activities nor to establish guarantees for compliance with the normal development thereof until the Reorganization is perfected.

The Participating Companies agree on a corporate reorganization through a merger by absorption of Sofora, Nortel and Telecom Personal, as Absorbed companies, into Telecom Argentina, as Surviving company, pursuant to the terms of Sections 82 and 83 of the LGS, and within the tax framework provided by Sections 77 et seq. of Law No. 20,628 of Income Tax, as amended and complemented, the CNV Regulations, the BCBA Regulations, the IGJ Regulations and other regulations applicable.

So, these special-purpose unconsolidated financial statements as of December 31, 2016 have been prepared with the only purpose of the Reorganization abovementioned.

**NOTE 2 BASIS OF PREPARATION OF THE SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

a) **Basis of preparation**

These special-purpose unconsolidated financial statements have been prepared in accordance with RT 26 of FACPCE (as amended and adopted by the CPCECABA), as required by the CNV.

Given its specific purpose described in Note 1, these special-purpose unconsolidated financial statements do not include the following statements: the special income statement, the special statement of changes in equity, the special statement of cash flows or the notes and other information required by IFRS.

These special-purpose unconsolidated financial statements are a free translation from the original special-purpose unconsolidated financial statements issued in Spanish and filed to the CNV in Argentina and contain the same information to the original version.

These special-purpose unconsolidated financial statements are presented in millions of pesos, so the accounting balances have been rounded. The effect of the aforementioned rounding is non-material for the special-purpose unconsolidated financial statements taken as a whole.

The preparation of these special-purpose unconsolidated financial statements in conformity with IFRS requires the Company's Management to use certain critical accounting estimates. Actual results could differ from those estimates.

These special-purpose unconsolidated financial statements have been prepared on a going concern basis as there is a reasonable expectation that Personal, or through Telecom Argentina as Surviving company after the Reorganization, will continue its operational activities in the foreseeable future (and in any event with a time horizon of more than twelve months).

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These special-purpose unconsolidated financial statements as of December 31, 2016 were approved by resolution of the Board of Directors meeting held on March 31, 2017.

**b) Significant accounting policies**

The following are the significant accounting policies used in the preparation of these special-purpose unconsolidated financial statements:

**1) Foreign currency balances**

At year-end exchange rate.

**2) Foreign currency translation**

The items included in the financial statements of each entity are recorded using the currency of the primary economic environment in which each entity carries out its activities ( the functional currency ). The financial statements are presented in Argentine pesos (\$), which is the functional currency of Telecom Personal. The functional currency of the Company s foreign subsidiaries is represented by the legal tender of the country in which each company is located.

The financial statements of the Company s foreign subsidiaries (Núcleo Personal Envíos) are translated using the exchange rates at the reporting date for assets and liabilities. The exchange differences resulting from the application of this method are recorded to Other Comprehensive Results.

**3) Financial instruments**

**3.1) Financial assets**

Financial assets and liabilities, on initial recognition, are measured at transaction price as of the acquisition date. Financial assets are derecognized in the financial statement when the rights to receive cash flows from them have expired or have been transferred and the Company has transferred substantially all the risks and benefits of ownership.

Upon acquisition, in accordance with IFRS 9, financial assets are subsequently measured at either amortized cost, or fair value, on the basis of both:

- (a) the entity's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Additionally, for assets that met the abovementioned conditions, IFRS 9 provides for an option to designate, at inception, those assets as measured at fair value if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an accounting mismatch ) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A financial asset that is not measured at amortized cost according to the paragraphs above is measured at fair value.

Financial assets include:

#### **Cash and cash equivalents**

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and their original maturity or the remaining maturity at the date of purchase does not exceed three months.

Cash and cash equivalents are recorded, according to their nature, at fair value or amortized cost.

Time deposits are valued at their amortized cost.

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Investments in other short-term investments are carried at fair value. During 2016, Personal acquired other short-term investments whose main underlying asset is adjustable to the variation of the US\$/ exchange rate (dollar linked).

Investments in Lebac are valued at amortized cost.

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**Trade and other receivables**

Trade and other receivables classified as either current or non-current assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less allowances for doubtful accounts.

**Investments**

Those National, Provincial and Municipal Governments bonds denominated in foreign currency whose initial intention is to keep them until their maturity, are measured at amortized cost and bear an interest in foreign currency. In this particular case, Management estimated the US Dollar denominated cash flows to be generated until maturity and compared that amount to the fair value of the instrument in US Dollars at the acquisition date. The acquisition cost in US Dollars has been adjusted by applying the IRR and the resulting value was converted to Argentine pesos using the exchange rate as of the date of measurement.

Likewise, Personal acquired Government bonds during 2016. Taking into account the business model chosen to manage these financial assets, and according to the provisions of IFRS 9, these bonds are recorded at their fair value.

**Impairment of financial assets**

At every annual date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. If any such evidence exists, an impairment loss is recognized in the income statement.

Certain circumstances of impairment of financial assets that the Company assesses to determine whether there is objective evidence of an impairment loss could include: delay in the payments received from customers; customers that enter bankruptcy; the disappearance of an active market for that financial asset because of financial difficulties; observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets, significant financial difficulty of the obligor, among others.

**3.2) Financial liabilities**

Financial liabilities comprise trade payables (excluding Derivatives), financial debt, which include Notes, salaries and social security payables (see 10) below) and certain other liabilities.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Amortized cost represents the initial amount net of principal repayments made, adjusted by the amortization of any differences between the initial amount and the maturity amount using the effective interest method.

### 3.3) Derivatives

Derivatives are used by the Company to manage its exposure to exchange rate and sometimes interest rate risks and to diversify the parameters of debt so that costs and volatility can be reduced to pre-established operational limits.

All derivative financial instruments are measured at fair value in accordance with IFRS 9.

Derivative financial instruments qualify for Hedge Accounting only when:

- a) The hedging relation consists only on hedging instruments and hedged items eligible;
- b) Since its inception the hedging relation and the purpose and risk management strategy, are formally designated and documented;
- c) The hedging relationship satisfies the following requirements of hedge effectiveness:
  - (i) the economic relationship between the hedged item and the hedging instrument;
  - (ii) the effect of credit risk is not predominant in respect of changes of value coming from this economic relationship, and
  - (iii) the coverage ratio of the hedging relationship is the same as that provided by the amount of the hedged item that really covers the entity and the amount of the hedging instrument that the entity actually used to cover that amount of the hedged item.

When a derivative financial instrument is designated as a cash flow hedge (the hedge of the exposure to variability in cash flows of an asset or liability, a firm commitment or a highly probable forecasted transaction) the effective portion of any gain or loss on the derivative financial instrument is recognized directly in OCI. The cumulative gain or loss is removed from OCI and recognized in the income statement at the same time as the hedged transaction affects the income statement.

If hedged item is a prospective transaction that results in the recognition of a non-financial asset or liability or a firm commitment, the cumulative gain or loss that was initially recognized in OCI is reclassified to the carrying amount of such asset or liability.

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4) **Inventories**

Inventories are measured at the lower of cost and estimated net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowances are made for obsolete and slow-moving inventories.

From time to time, the Management of Personal decides to sell mobile handsets at prices lower than their respective costs. This strategy is aimed at achieving higher service revenues or at retention of high value customers by reducing customer access costs while maintaining the companies overall mobile business profitability since the customer subscribes a monthly service contract for indefinite period with a minimum period of permanence and, if the contract is abandoned in advance, the mobile company has the right to cancel, totally or partially, the bonus granted to the customer at the beginning of the contractual relationship. For the estimation of the net realizable value in these cases the Company considers the estimated selling price in normal course of business less applicable variable selling expenses plus the expected margin from the service contract signed during its minimum non-cancelable term.

5) **Non-current investments**

The equity interest in controlled companies is valued at the equity method net of results not transferred to third parties, determined on the basis of year-end financial statements and prepared with similar accounting policies as those used in the preparation of these special-purpose unconsolidated financial statements.

The Management of the Company has not been aware of facts that could change the financial position or results of subsidiaries as of December 31, 2016 as from the date of approval of their financial statements, which have a significant impact on the valuation of the investments at that date.

6) **PP&E**

PP&E is stated at acquisition or construction cost. Subsequent expenditures are capitalized only when they represent an improvement, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other subsequent costs are recognized as expense in the period in which they are incurred, unless they are improvements. When a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items if they are significant.



PP&E cost also includes the expected costs of dismantling the asset and restoring the site if a legal or constructive obligation exists. The corresponding liability is recognized in the statement of financial position under Provisions line item at its present value.

The accounting estimates for dismantling costs, including discount rates, and the dates in which such costs are expected to be incurred are annually reviewed. Changes in the above liability are recognized as an increase or decrease of the cost of the relative asset and are depreciated prospectively.

The depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously taking into account, among others, technological obsolescence, maintenance and condition of the assets and different intended use from previous estimates. The effect of such changes is recognized prospectively in the income statement.

7) **Intangible assets**

Intangible assets are recognized when the following conditions are met: the asset is separately identifiable, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Intangible assets with a finite useful life are stated at cost, less accumulated amortization and impairment losses, if any.

Intangible assets with an indefinite useful life are stated at cost, less accumulated impairment losses, if any.

Intangible assets comprise the following:

• **Subscriber acquisition costs ( SAC )**

Direct and incremental costs incurred for the acquisition of new subscribers with a minimum contractual period are capitalized when the conditions for the recognition of an intangible asset are met.

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The cost of acquiring postpaid and *cuentas claras* subscribers in mobile telephony meet the conditions established by IFRS for its recognition as intangible asset, since these contracts establish a minimum contractual period, which guarantees minimum monthly income by installments and, in the event of early cancellation, grants the right to cancel bonuses granted at the beginning of the contractual relationship (i.e, equipment bonuses). SAC are mainly related to the mobile services; and are mainly comprised of upfront commissions paid to third parties and, to a lower extent, of subsidies granted to customers on the sale of handsets.

Capitalized SAC are amortized on a straight-line basis over the term of the contract with the customer acquired.

On August 17, 2016, Law No. 27,265 (in force since August 29, 2016) was published in the Official Bulletin incorporating an amendment to Law No. 24,240 of Consumer Protection. This incorporation (in Section 10 *quárter*) establishes the prohibition of collection of advance notice, advance month and/or any other concept, by service providers, including public services, in the cases of unsubscription request made by subscribers, either in a personal, telephonic, electronic or similar way. In this sense, since last quarter of 2016, the Company complies with these regulations, where applicable, and the Company's Management will continue assessing the effects of the new regulations in its SAC capitalization policies.

• 3G/4G licenses

It includes 3G and 4G frequencies awarded by the SC to Personal in November 2014 and June 2015. In accordance with Section 12 of the Auction Terms and Conditions they were granted for a period of 15 years as from the date of awarding notification. After this deadline, the Regulatory Authority may extend the term at Personal's request. The extension of the term, the related cost and conditions shall be defined by the Regulatory Authority.

Consequently, the Company's management has concluded that the 3G and 4G licenses have a finite useful life and therefore are amortized under the straight-line method over 180 months.

As a consequence of Section 4 (d) of PEN Decree No. 1,340/16, the remaining useful life of the frequencies included in lot 8 of the auction was re-estimated in 4Q16. It was considered that 700 Mhz bands would be released since May 2017 and, in compliance with the mentioned Decree, the period of 15 years from such date was computed.

• PCS license (Argentina)

The Company, based on an analysis of all of the relevant factors, has considered the license having an indefinite useful life since there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

• Rights of use

The Company purchases network capacity under agreements which grant the exclusive right to use a specified amount of capacity for a specified period of time. Acquisition costs are capitalized as intangible assets and amortized over the terms of the respective capacity agreements, generally 180 months.

• Exclusivity agreements

Exclusivity agreements were entered into with certain retailers and third parties relating to the promotion of the Company's services and products. Amounts capitalized are being amortized over the life of the agreements, with expiration up to year 2028.

8) Impairment of PP&E and intangible assets

At least annually, the Company assesses whether there are any indicators of impairment of assets that are subject to amortization. Both internal and external sources of information are used for this purpose. Internal sources include, among others, obsolescence or physical damage of the asset, and significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include, among others, the market value of the asset, changes in technology, markets or laws, increases in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Company over market capitalization.

The carrying value of an asset is considered impaired by the Company when it is higher than its recoverable amount. In that event, a loss shall be recognized in the statement of income.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the evaluated asset.

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Where it is not possible to estimate the recoverable value of an unconsolidated asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have been recorded if no impairment loss had been recognized.

Intangible assets with an indefinite useful life (including intangible assets under development or not ready to use) are not subject to amortization and are tested at least annually for impairment. The only intangible asset with an indefinite useful life held by the Company as of December 31, 2016 is the PCS license (Argentina). Its recoverable amount is determined based on the value in use, which is estimated using discounted net cash flows projections.

During 2016, Telecom Personal has assessed the recoverability of certain assets related to the mobile access modernization and replacement of its cellular network's access technology, recording an impairment for the total book value of the assets involved amounting to \$71.

Likewise, Personal has assessed the recoverability of a group of former work in progress, recording an impairment of \$38 as of December 31, 2016 (equivalent to its book value).

9) **Deferred revenues**

Deferred revenues include:

- *Deferred revenues on prepaid calling cards*

Revenues from unused traffic and data packs for unexpired calling cards are deferred and recognized as revenue when the minutes and the data are used by customers or when the card expires, whichever happens first.

- *Customer Loyalty Programs*

The fair value of the award credits regarding Personal's customer loyalty program is accounted for as deferred revenue, and recognized as revenue when the award credits are redeemed or expire, whichever occurs first.

10) **Salaries and social security payables**

Include unpaid salaries, vacation and bonuses and its related social security contributions, as well as termination benefits. See 3.2) above for a description of the accounting policy regarding the measurement of financial liabilities.

Termination benefits represent severance indemnities that are payable when employment is terminated in accordance with labor regulations and current practices, or whenever an employee accepts voluntary redundancy in exchange for these benefits. In the case of severance compensations resulting from agreements with employees leaving the Company upon acceptance of voluntary redundancy, the compensation is usually comprised of a special cash bonus paid upon signing the severance agreement, and in certain cases may include a deferred compensation, which is payable in monthly installments calculated as a percentage of the prevailing wage at the date of each payment ( *prejubilaciones* ). The employee's right to receive the monthly installments mentioned above starts on the date they leave the Company and ends either when they reach the legal mandatory retirement age or upon the decease of the beneficiary, whichever occurs first.

11) **Taxes payables**

The Company is subject to different taxes and levies such as municipal taxes, tax on deposits to and withdrawals from bank accounts, turnover taxes, regulatory fees (including SU) and income taxes, among others, that represent an expense for the Company. It is also subject to other taxes over its activities that generally do not represent an expense (internal taxes, VAT, Retention Decree No. 583/10 ENARD).

The principal taxes that represent an expense for the Company are the following:

- *Income taxes*

The Company records income taxes in accordance with IAS 12.

Deferred taxes are recognized using the liability method. Temporary differences arise when the tax base of an asset or liability differs from their carrying amounts. A deferred income tax asset or liability is recognized on those differences, except for those differences related to investments in subsidiaries that generate a deferred income tax liability, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The statutory income tax rate in Argentina is 35%.

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• *Turnover tax*

The Company is subject to a tax levied on financial income. Rates differ depending on the jurisdiction where revenues are earned for tax purposes and on the nature of revenues (services or equipment).

• *Other taxes and levies*

Since the beginning of 2001, telecommunication services companies have been required to make a SU contribution to fund SU requirements. The SU 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 SU tax and other deductions stated by regulations. The rate is 1% of total billed revenues and adopts the pay or play mechanism for compliance with the mandatory contribution to the SU fund.

12) **Provisions**

The Company records provisions for risks and charges when it has a present obligation, legal or constructive, to a third party, as a result of a past event, when it is probable that an outflow of resources will be required to satisfy the obligation and when the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash flows, taking into account the risks associated with the obligation.

Provisions also include the expected costs of dismantling assets and restoring the corresponding site if a legal or constructive obligation exists. The accounting estimates for dismantling costs, including discount rates, and the dates in which such costs are expected to be incurred are reviewed annually, at each financial year-end.

**NOTE 3 BREAKDOWN OF THE MAIN ACCOUNTS OF THE SPECIAL-PURPOSE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016**

**CURRENT ASSETS**

**a) Cash and cash equivalents**

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Cash	6
Banks	727
Time deposits	837
Lebac's at amortized cost	604
Other short-term investments	1,409
	<b>3,583</b>

**b) Investments**

Government bonds at fair value	1,272
Provincial government and Municipal bonds at amortized cost	13
Government bonds at amortized cost in foreign currency	3
Other short-term investments	270
	<b>1,558</b>

**c) Trade receivables**

Services and equipment	5,990
Balances with Companies Law No. 19,550	144
Allowance for doubtful accounts	(441)
	<b>5,693</b>

**d) Other receivables**

Prepaid expenses	428
Expenditure reimbursement	126
Receivables for return of handsets under warranty	29
Balances with Companies Law No. 19,550	25
Tax credits	14
Guarantee deposits	10
Restricted funds	7
Non deliverable forward	2
PP&E disposal receivables	1
Other	57
Allowance for doubtful accounts	(11)
	<b>688</b>

**e) Inventories**

Mobile handsets	1,255
Mobile handsets in transit	1
Allowance for obsolescence of inventories	(47)
	<b>1,209</b>

Table of Contents**NON CURRENT ASSETS****f) Other receivables**

Prepaid expenses	202
Restricted funds	17
Tax credits	10
Balances with Companies Law No. 19,550	107
Guarantee deposits	12
	<b>348</b>

**g) Investments**

Núcleo	1,128
Government bonds at amortized cost in foreign currency	255
Provincial government and Municipal bonds at amortized cost dollar linked	61
	<b>1,444</b>

**h) PP&E**

Land, buildings and installations	211
Computer equipment and software	1,253
Switching and transmission equipment (i)	1,982
Mobile network access and external wiring	3,919
Construction in progress	1,133
Other tangible assets	338
	<b>Subtotal PP&amp;E 8,836</b>
Materials	839
Impairment of PP&E	(109)
Valuation allowance for materials and impairment of materials	(25)
	<b>9,541</b>

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(i) Includes tower and pole, transmission equipment, switching equipment, power equipment, equipment lent to customers at no cost and handsets lent to customers at no cost.

**i) Intangible assets**

3G/4G licenses	5,105
Other licenses	588
Rights of use and exclusivity agreements	21
SAC mobile services	1,372



7,086

**CURRENT LIABILITIES****j) Trade payables**

PP&E	2,975
Other assets and services	2,071
Inventory	675
Agent commissions	353
Balances with Companies Law No. 19,550	8
	<b>6,082</b>

**k) Deferred revenues**

On mobile customer loyalty programs	85
On prepaid calling cards	214
Other	15
	<b>314</b>

**l) Financial debt**

Bank overdrafts principal	1,666
Bank loans principal	620
Notes principal	566
Accrued interest	145
Non deliverable forward	2
	<b>2,999</b>

**m) Salaries and social security payables**

Vacation and bonuses	287
Social security payables	90
Termination benefits	8
	<b>385</b>

**n) Income tax payables**

Income tax payables	1,586
Withholdings and payments in advance of income taxes	(1,077)
	<b>509</b>



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**o) Other taxes payables**

Tax withholdings	195
VAT, net	304
Internal taxes	138
Tax on Universal Service	110
Regulatory fees	59
Turnover tax	52
Municipal taxes	35
Retention Decree No. 583/10 ENARD	