



Corporate Action Announcement

Citibank, N.A., acting as sponsored depository bank, announces the following:

Date: December 29, 2006

Announcement For: [Capital Reduction, Cash Distribution, Par Value Change, Ratio Change](#)

Description

Company Name:	Telefonica de Argentina, S.A.
Ticker Symbol:	TARN
CUSIP Number:	879378404
Country:	Argentina
Listing Exchange:	NYSE
Ratio (ADR:ORD):	1:10 (old) 1:40 (new)
Underlying Share Symbol:	TEAR2 AR
Underlying Share ISIN:	ARP903251048
DR ISIN:	US8793784047
Custodian:	Citibank Argentina

Telefonica De Argentina Capital Reduction, Ratio & Nominal Value Change and Cash Distribution

The Company has informed the Depository of the approval at the Company's Shareholder Meeting held on September 7, 2006 of a Voluntary Capital Stock Reduction of AR\$ 1,047,630,044.44. The company received the relevant authorizations from the Argentine Securities and Exchange Commission and the Buenos Aires Stock Exchange to affect the Capital Reduction which will result in a share distribution, nominal value change and a cash distribution. In the local market, shareholders will receive four (4) new shares (having a nominal value of AR\$0.10) in exchange for each share held (with a nominal value of AR\$ 1.00). The number of existing ADSs will not change as a result of the capital reduction share distribution. Instead, the ADR ratio will be changed so that each existing ADS will represent forty (40) Class B Ordinary shares (par value AR\$0.10 per share). Please note that there will be no change in the cusip numbers and that the certificates will be over stamped to reflect the ratio/nominal value change.



The effective date of the ratio/nominal value change is December 22, 2006. The cash distribution was distributed on the ADR payable date of December 27, 2006 to holders as of the ADR cash record date of December 21, 2006.

Note: No action is required by the ADR holder.

Ratio Change Information:

Old Ratio: 10 shares : 1 ADR
New Ratio: 40 shares : 1 ADR

Special ratio at Citibank to accommodate processing:

In Argentina shareholders received four (4) new shares(having a nominal value of \$AR0.10) in exchange for each share held (with a nominal value of AR\$1.00).

In Argentina, all share movements are done in Nominal Value rather than in face value. As the original Nominal Value was AR\$1.00, the new shares issued after the capital reduction are reflected at 40 % of the original Nominal Value. Therefore, to accommodate the correct processing of ADR/Share Conversions we need to maintain a ratio of 4 Nominal Value shares: 1 ADR.

Example: 1 ADR is equal to 4 Nominal Value Shares representing 40 Class B Ordinary Shares.

Nominal Value Change Information:

Old Nominal Value: AR\$1.00
New Nominal Value : AR\$0.10

Cash Distribution:

The US Dollar equivalent of AR \$0.60 per old share or AR\$6.00 per ADR. The US dollar proceeds were delivered directly from the Company to the Depositary.

The cash distribution was paid through the Dividend Unit.

Local Record Date:	12/21/06
Local Payable Date:	12/22/06
ADR Record Date:	12/21/06
ADR Payable Date:	12/27/06
US Dollar Rate:	\$1.9677292

Shareholder Services

Questions may be directed to Shareholder Services toll free at 1-877-248-4237

For further information on Citi's Depositary Receipt Services, visit www.citi.com/adr.