

TELECOM ARGENTINA SA  
Form 6-K  
May 11, 2007  
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## FORM 6-K

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of May, 2007

Commission File Number: 001-13464

## Telecom Argentina S.A.

(Translation of registrant's name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes  No

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Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes \_\_\_\_\_ No  X

If  Yes  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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**Telecom Argentina S.A.**

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**Item**

1. Press Release regarding Telecom Argentina s S.A., Consolidated First Quarter Results for Fiscal Year 2007 ( 1Q07 )

**Table of Contents****FOR IMMEDIATE RELEASE****Market Cap: P\$13.83 billion**  
**(May 10, 2007)****Contacts:****Pedro Insussarry****Pablo Caride****Telecom Argentina****(54-11) 4968-3743/3602****TELECOM ARGENTINA S.A. ANNOUNCES CONSOLIDATED FIRST QUARTER****RESULTS FOR FISCAL YEAR 2007 ( 1Q07 )\***

- Ø Continuing with the positive trend observed in recent years, the Telecom Group confirms the strong expansion of its business. 1Q07 showed a 28% growth in net revenues when compared to the same period of the previous year ( 1Q06 ), totaling P\$2.055 million. The most dynamic segments continued to be cellular, Internet and data, which expanded 45%, 23% and 17% respectively.
- Ø Cellular subscribers increased by 51% while broadband subscribers grew 111%. In addition, fixed lines in service increased 4%, when compared to March 2006.
- Ø As a consequence of the general improvement of the business, Operating Profit before Depreciation and Amortization ( OPBDA ) reached P\$688 million (+26% vs. 1Q06), equivalent to 33.5% of net revenues. Operating Profit totaled P\$358 million (+82% vs. 1Q06).
- Ø Finally, Net Income totaled P\$135 million. Shareholders equity as of March 31, 2007 amounted to P\$2,261 million.
- Ø Net financial Debt (before NPV effect) declined to P\$ 3,222 million (-P\$1.052 million vs. 1Q06), primarily as a result of the cash flow generated by operations. The ratio of Net Financial Debt to OPBDA declined from 2.0x as of March, 2006, to 1.2x.

|  | As of    |       |         |      |
|--|----------|-------|---------|------|
|  | March-31 |       | Δ       | Δ%   |
|  | 2007     | 2006  |         |      |
| Consolidated Net Revenues (in MM P\$)              | 2,055    | 1,611 | 444     | 28%  |
| Voice, data & Internet                             | 783      | 732   | 51      | 7%   |
| Cellular   | 1,272    | 879   | 393     | 45%  |
| Operating Profit before D&A (in MM P \$)           | 688      | 546   | 142     | 26%  |
| Operating Profit (in MM P\$)                       | 358      | 197   | 161     | 82%  |
| Net Income (in MM P\$)                             | 135      | 3     | 132     |      |
| Shareholder s equity (in MM P\$)                   | 2,261    | 1,871 | 390     | 21%  |
| Net Financial Debt - Before NPV effect (in MM P\$) | 3,222    | 4,274 | (1,052) | -25% |
| Net Financial Debt - Book value (in MM P \$)       | 3,090    | 4,026 | (936)   | -23% |
| CAPEX (in MM P\$)                                  | 198      | 185   | 13      | 7%   |

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|   |        |       |       |      |
|---|--------|-------|-------|------|
| Lines in service (Fixed lines -in thousands)                      | 4,117  | 3,966 | 151   | 4%   |
| Cellular customers (in thousands)                                 | 10,639 | 7,041 | 3,598 | 51%  |
| Personal (Argentina)  | 9,310  | 6,351 | 2,959 | 47%  |
| Núcleo (Paraguay)   | 1,329  | 690   | 639   | 93%  |
| ADSL customers (in thousands)                                     | 526    | 250   | 276   | 111% |
| Fixed line traffic (in MM minutes, Internet Traffic not included) | 3,983  | 3,947 | 36    | 1%   |
| Incoming/Outgoing cellular voice traffic in Arg. (in MM minutes)  | 2,224  | 1,641 | 582   | 35%  |
| Average Revenue per user (ARPU) Fixed Telephony/voice (in P\$)    | 39     | 38    | 0     | 1%   |
| Average Revenue per user (ARPU) Cellular Telephony Arg. (in P\$)  | 37     | 36    | 1     | 4%   |

\* Non-financial data unaudited

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**Buenos Aires, May 10, 2007** Telecom Argentina (BASE: TECO2, NYSE: TEO), one of Argentina's leading telecommunications groups, announced today a **Net Income** of **P\$135 million** for the three month period ended March 31, 2007.

|                         | 3M<br>07 | 3M<br>06 | Δ    | Δ%  |
|-------------------------|----------|----------|------|-----|
| Net Revenues (MM P\$)   | 2,055    | 1,611    | 444  | 28% |
| Net Income (MM P\$)     | 135      | 3        | 132  |     |
| Earnings per Share (\$) | 0.14     | 0.00     | 0.13 |     |
| Earnings per ADR (\$)   | 0.69     | 0.02     | 0.67 |     |
| OPBDA *                 | 33.5%    | 34%      |      |     |
| Operating Profit *      | 17%      | 12%      |      |     |
| Net Income *            | 7%       | 0%       |      |     |

\* As a percentage of Net Revenues

During **1Q07**, **Consolidated Net Revenues** increased **28%** (+P\$444 million vs. **1Q06**) to **P\$2,055 million**, mainly fueled by the cellular and broadband businesses.

Moreover, **OPBDA** increased by **26%** (+P\$142 million) to **P\$688 million**, equal to **33.5%** of Consolidated Net Revenues.

**Company Activities****Net Revenues**

The evolution in **Consolidated Net Revenues** by reportable segment was as follows:

**Voice, data transmission & Internet**

Revenues generated by the Fixed-line Business (including voice, data transmission and Internet services) amounted to **P\$783 million**, a **7%** increase over **1Q06**.

**Voice**

Total Revenues for this segment reached **P\$619 million** (+4%).

**Monthly Charges** increased by **P\$6 million** or **3%**, reaching **P\$182 million**, even though no increase has been applied to regulated tariffs. Lines in service increased **4%** as a consequence of promotions and campaigns developed by Telecom.

Revenues generated by **traffic** totaled **P\$296 million**, as a consequence of the **8%** decrease in **Local Measured Service** and increases of **13%** and **8%** in **Domestic Long Distance** and **International Telephony**, respectively.

**Interconnection revenues** amounted to **P\$84 million** (+22%), mainly driven by a higher level of mobile traffic transported by and terminated in Telecom's fixed line network.

**Internet and Data Transmission**

As a consequence of the extraordinary evolution of broadband subscribers, **Internet** continues to be the main driver of growth in the fixed-line business, with revenues of **P\$123 million** (+23% vs. **1Q06**).



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As of the end of **1Q07**, Telecom's ADSL subscribers reached **526,000** (+**276,000** or **+111%** vs. **1Q06**). Lines with ADSL connection accounted for approximately **13%** of Telecom's lines in service. Regarding ISP services, Arnet subscribers totaled **534,000** (**+80%** or **+237,000** subscribers), due to the increase of **262,000** broadband subscribers (**+141%**) and the decrease of **25,000** dial-up subscribers (**-26%**).

This positive evolution is a consequence of Telecom's offering of high quality products at accessible prices (for example, the product Arnet 640Kb, which showed an excellent performance), leveraging on broadband-specific content, improving ADSL coverage, as well as investing in promotional and branding activities for the portfolio of Arnet products.

Revenues generated by **Data transmission** amounted to **P\$41 million**, (**+17%** or **P\$6 million**, vs. **1Q06**).

### **Cellular Telephony**

The Cellular Telephony business generated revenues of P\$ 1,272 million in 1Q07.

### **Telecom Personal in Argentina**

As of March 31, 2007, the total subscriber base totaled **9.3 million**, **3 million** customers more than those registered in **1Q06** (**+47%**). Approximately **68%** of the overall subscriber base was prepaid and **32%** was postpaid. Subscribers with GSM technology represented **91%** of the total subscriber base at the end of **1Q07**.

**Total voice traffic**, in minutes, increased by **35%** vs. **1Q06** while outgoing **SMS traffic** increased from an average of **440 million** messages per month to an average of **762 million** (**+73%**). Moreover, the proportion of value-added services in the average monthly Revenue per User (**ARPU**) reached **27%** in **1Q07**.

In this context, revenues totaled **P\$1,180 million**, increasing **P\$369 million** (**+45%**). Service revenues increased by **48%**, while handset sales increased by **25%**. **ARPU** amounted to P\$37 in **1Q07** (**+4%** vs **1Q06**)



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During the quarter, Personal continued with its strategy of strengthening technological innovation by launching the latest generation of value-added services, such as Personal Cam (live images through the web portal); and SMS to fixed (text messages that can be sent to a fixed line telephone). Personal has also been the first operator offering Blackberry Pearl, with more features and a latest generation design.

In addition, Personal continued its customer loyalty program Club Personal with specific activities designed for the summer season. Meanwhile, the development of the network and commercial channels continued, mainly in the Southern Region, in order to improve service quality and customer attention to Personal's subscribers.

### **Núcleo**

Personal's controlled subsidiary that operates in Paraguay, generated **revenues** equivalent to **P\$92 million (+35%** when compared to **1Q06)**.

The subscriber base as of **March 31, 2007** reached approximately **1.3 million, +93%** vs. **1Q06**. Prepaid and Postpaid customers represented **88%** and **12%**, respectively, while **GSM** subscribers represented **80%** of the overall subscriber base.

### **Consolidated Operating Costs**

The **Cost of Services Provided, Administrative Expenses and Selling Expenses** totaled **P\$1,697 million** in **1Q07**, which represents an increase of **P\$283 million** or **+20%** vs. **1Q06** with the following breakdown:

**Salaries and Social Security Contributions:** totaled **P\$214 million (+13%)**, affected by wage adjustments and headcount increases generated by the growth in the business.

**Taxes:** amounted to **P\$161 million (+40%)**, mainly due to direct taxes on sales.

**Agents and Prepaid Card Commissions** totaled **\$177 million, (+53%)**, as a consequence of the growth in the subscriber base in the cellular business and increased prepaid traffic sales.

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**Advertising:** expenditures reached **P\$61 million (+69%)**, related to brand positioning campaigns and the acquisition of new cellular and Internet customers.

**Cost of cellular handsets:** increased to **P\$197 million (+10%)** due to the increase in handset sales related to the subscriber growth and handset upgrades.

**TLRD (termination charges in third party cellular networks) and Roaming:** increased to **P\$176 million (+36%)** due to increased traffic among cellular operators, in line with the significant expansion of the market.

**Allowance for Doubtful Accounts:** amounted to **P\$19 million (+6%)**, but remained below **1%** of net revenues.

**Depreciation of Fixed and Intangible Assets** decreased to **P\$330 million (+P\$13million** in the cellular business, **-P\$32 million** in Voice, data & Internet business).

## **Consolidated Financial and Holding Results**

**Financial and Holding Results** resulted in a loss of **P\$132 million**, as compared to the **P\$183 million** loss registered in **1Q06**. The difference is mainly due to lower net financial interest expenses **P\$38 million** (due to lower net financial debt) and foreign currency exchange losses **P\$19 million**.

## **Net Financial Debt**

As of **March 31, 2007**, **Net Debt** (Loans before the effect of NPV valuation, minus Cash, Banks, Current Investments and Other credits derived from derivative Investments) amounted to **P\$3,222 million**, a reduction of **P\$1.052 million** as compared to **March 31, 2006**. Interest accrued on financial debt totaled **P\$82 million**.

It is worth mentioning that on April 16, 2007, Telecom Argentina cancelled the remaining 25% of the principal amortization originally scheduled for October 15, 2009 and 31.8% of the principal amortization originally scheduled for April 15, 2010 of its Series A and B Notes, in an amount approximately equivalent to US\$81 million.

## **Consolidated Capital Expenditures**

A total amount of **P\$198 million** invested in fixed and intangibles assets was allocated to the cellular business (**P\$94 million**) and the Voice, data and Internet business (**P\$104 million**).

In the Fixed-line business, the Company focused its efforts on the deployment of a new generation network (NGN) based on IP technology. Additionally, investments were allocated to the development of important IT projects, such as the new ERP system.

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In the Cellular business expenditures continued to be focused in the GSM/GPRS/EDGE network deployment in the South Region and the extension of its capacity in AMBA and North Regions. In addition, the Group continues with the development of value-added services.

### **Recent Developments**

#### **Sale of Publicom**

As of April 12, 2007, Telecom sold Publicom, the company specialized in Directories, for approximately US\$60 million.

The operation of Publicom has been consolidated in the Financial Statements in a special item as discontinued operations. This operation will generate an estimated positive result before taxes of approximately \$167 million that will be registered in the second quarter of FY2007.

#### **New Organizational Structure**

The Telecom Group has implemented a new organization model in order to facilitate the synergy among fixed communications, mobile, broadband and contents.

The new scheme implies the elimination of the General Executive Direction and establishes direct reporting from the two General Directors to the Board.

Therefore, the business management gets a unified vision, under the responsibility of a Director of Operations, with four areas: Mobile Telephony, Network, Fixed Telephony-Residential and SMEs- and Fixed Telephony-Large Accounts and Wholesale-.

The corporative functions were grouped under the responsibility of the Director of Corporate Affairs in charge of assuring the optimization of process focusing on efficiency and service quality.

This announcement does not imply mergers nor corporate changes nor any modification in the current structure of business segments (Voice, Data and Internet, and Cellular)

#### **New Chairman**

As of April 27, 2007, the Board of Directors of Telecom Argentina appointed Lic. Carlos A. Felices as Chairman of the Group replacing Dr. Amadeo R. Vazquez.

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Telecom is the parent company of a leading telecommunications group in Argentina, where it offers directly or through its controlled subsidiaries local and long distance fixed-line telephony, cellular, data transmission and Internet services, among other services. Additionally, through a controlled subsidiary, the Telecom Group offers cellular services in Paraguay. The Company commenced operations on November 8, 1990, upon the Argentine Government's transfer of the telecommunications system in the northern region of Argentina. **Nortel Inversora S.A.** (Nortel), which acquired the majority of the Company from the Argentine government, holds **54.74%** of Telecom's common stock. Nortel is a holding company where the common stock (approximately **68%** of capital stock) is owned by Sofora Telecomunicaciones S.A. Additionally, Nortel capital stock is comprised of preferred shares that are held by minority shareholders.

As of **March 31, 2007**, Telecom had **984,380,978** shares outstanding.

(\* ) Employee Stock Ownership Program

For more information, please contact the Financial Planning & Investor Relations Department:

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**Disclaimer**

This document may contain statements that could constitute forward-looking statements, including, but not limited to, the Company's expectations for its future performance, revenues, income, earnings per share, capital expenditures, dividends, liquidity and capital structure; the effects of its debt restructuring process; the impact of emergency laws enacted by the Argentine Government; and the impact of rate changes and competition on the Company's future financial performance. Forward-looking statements may be identified by words such as believes, expects, anticipates, projects, intends, should, seeks, estimates, future or other similar expressions. Forward-looking statements involve risks and uncertainties that could significantly affect the Company's expected results. The risks and uncertainties include, but are not limited to, the impact of emergency laws enacted by the Argentine government that have resulted in the repeal of Argentina's Convertibility law, devaluation of the peso, various changes in restrictions on the ability to exchange pesos into foreign currencies, and currency transfer policy generally, the pesification of tariffs charged for public services, the elimination of indexes to adjust rates charged for public services and the Executive branch announcement to renegotiate the terms of the concessions granted to public service providers, including Telecom. Due to extensive changes in laws and economic and business conditions in Argentina, it is difficult to predict the impact of these changes on the Company's financial condition. Other factors may include, but are not limited to, the evolution of the economy in Argentina, growing inflationary pressure and evolution in consumer spending and the outcome of certain legal proceedings. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as the date of this document. The Company undertakes no obligation to release publicly the results of any revisions to forward-looking statements which may be made to reflect events and circumstances after the date of this press release, including, without limitation, changes in the Company's business or to reflect the occurrence of unanticipated events. Readers are encouraged to consult the Company's Annual Report on Form 20-F, as well as periodic filings made on Form 6-K, which are filed with or furnished to the United States Securities and Exchange Commission for further information concerning risks and uncertainties faced by Telecom.

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**(Financial tables follow)**

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**Carlos Felices**

**Chairman**

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**Table of Contents****TELECOM ARGENTINA S.A.****Consolidated information****FIRST QUARTER - FISCAL YEAR 2007****(In millions of Argentine pesos, except statistical data)****1- Consolidated Balance Sheet**

|                                      | Mar-31<br>2007 | Dec-31<br>2006 | Δ\$          | Δ%         |
|--------------------------------------|----------------|----------------|--------------|------------|
| Cash, equivalents and investments    | 1,033          | 661            | 372          | 56%        |
| Trade receivables                    | 724            | 743            | (19)         | -3%        |
| Other current assets                 | 311            | 363            | (52)         | -14%       |
| <b>TOTAL CURRENT ASSETS</b>          | <b>2,068</b>   | <b>1,767</b>   | <b>301</b>   | <b>17%</b> |
| Fixed & Intangible assets            | 6,363          | 6,520          | (157)        | -2%        |
| Other non-current assets             | 459            | 428            | 31           | 7%         |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>6,822</b>   | <b>6,948</b>   | <b>(126)</b> | <b>-2%</b> |
| <b>TOTAL ASSETS</b>                  | <b>8,890</b>   | <b>8,715</b>   | <b>175</b>   | <b>2%</b>  |
| Accounts payable                     | 1,299          | 1,481          | (182)        | -12%       |
| Loans                                | 1,489          | 1,395          | 94           | 7%         |
| Reserves                             | 81             | 85             | (4)          | -5%        |
| Other current liabilities            | 429            | 412            | 17           | 4%         |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>3,298</b>   | <b>3,373</b>   | <b>(75)</b>  | <b>-2%</b> |
| Loans                                | 2,730          | 2,703          | 27           | 1%         |
| Reserves                             | 247            | 234            | 13           | 6%         |
| Other non-current liabilities        | 278            | 204            | 74           | 36%        |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>3,255</b>   | <b>3,141</b>   | <b>114</b>   | <b>4%</b>  |
| <b>TOTAL LIABILITIES</b>             | <b>6,553</b>   | <b>6,514</b>   | <b>39</b>    | <b>1%</b>  |
| Minority Interest                    | 76             | 72             | 4            | 6%         |
| Shareholders equity                  | 2,261          | 2,129          | 132          | 6%         |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>8,890</b>   | <b>8,715</b>   | <b>175</b>   | <b>2%</b>  |

**2- Consolidated Loans**

| Mar-31 | Dec-31 | Δ\$ | Δ% |
|--------|--------|-----|----|
|--------|--------|-----|----|

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|  | 2007         | 2006         |              |            |
|--|--------------|--------------|--------------|------------|
| Corporate Bonds                                | 1,032        | 1,014        | 18           | 2%         |
| Banks and others                               | 347          | 334          | 13           | 4%         |
| Accrued interest                               | 109          | 42           | 67           | 160%       |
| Derivatives                                    | 1            | 5            | (4)          | -80%       |
| <b>TOTAL CURRENT LOANS</b>                     | <b>1,489</b> | <b>1,395</b> | <b>94</b>    | <b>7%</b>  |
| Corporate Bonds                                | 2,852        | 2,798        | 54           | 2%         |
| Banks and others                               | 10           | 51           | (41)         | -80%       |
| Net Present Value                              | (132)        | (146)        | 14           | -10%       |
| <b>TOTAL NON-CURRENT LOANS</b>                 | <b>2,730</b> | <b>2,703</b> | <b>27</b>    | <b>1%</b>  |
| <b>TOTAL LOANS</b>                             | <b>4,219</b> | <b>4,098</b> | <b>121</b>   | <b>3%</b>  |
| Derivatives valuation effect (Other Credits)   | 96           | 85           | 11           | 13%        |
| Cash, equivalents and investments              | 1,033        | 661          | 372          | 56%        |
| <b>Net Financial Debt (without NPV effect)</b> | <b>3,222</b> | <b>3,498</b> | <b>(276)</b> | <b>-8%</b> |

|  | Mar-31       |              |            |             |
|--|--------------|--------------|------------|-------------|
|  | 2007         | 2006         | Δ\$        | Δ%          |
| <b><u>Financial and Holding results</u></b>                    |              |              |            |             |
| <b><u>Financial results generated by assets</u></b>            |              |              |            |             |
| Interest on short term investments                             | 23           | 19           | 4          | 21%         |
| Foreign currency exchange gains                                | 8            | 9            | (1)        | -11%        |
| Other financial results  |              | 7            | -7         |             |
| <b><u>Total Financial results generated by assets</u></b>      | <b>31</b>    | <b>35</b>    | <b>(4)</b> | <b>-11%</b> |
| <b><u>Financial results generated by liabilities</u></b>       |              |              |            |             |
| Interest on debt   | (93)         | (127)        | 34         | -27%        |
| Foreign currency exchange losses                               | (70)         | (91)         | 21         | -23%        |
| <b><u>Total Financial results generated by liabilities</u></b> | <b>(163)</b> | <b>(218)</b> | <b>55</b>  | <b>-25%</b> |
| <b><u>Total Financial and Holding results</u></b>              | <b>(132)</b> | <b>(183)</b> | <b>51</b>  | <b>-28%</b> |

**Table of Contents****3- Consolidated Income Statement  
Three-Months Comparison**

|  | Mar-31     |             | Δ \$       | Δ %          |
|--|------------|-------------|------------|--------------|
|  | 2007       | 2006        |            |              |
| Net revenues                                     | 2,055      | 1,611       | 444        | 28%          |
| Cost of services provided                        | (1,137)    | (986)       | (151)      | 15%          |
| <b>GROSS PROFIT</b>                              | <b>918</b> | <b>625</b>  | <b>293</b> | <b>47%</b>   |
| Administrative expenses                          | (77)       | (63)        | (14)       | 22%          |
| Selling expenses                                 | (483)      | (365)       | (118)      | 32%          |
| <b>OPERATING PROFIT</b>                          | <b>358</b> | <b>197</b>  | <b>161</b> | <b>82%</b>   |
| Equity income from related companies             |            | 6           | (6)        | -100%        |
| Financial and holding results                    | (132)      | (183)       | 51         | -28%         |
| Other expenses, net                              | (32)       | (42)        | 10         | -24%         |
| <b>RESULTS FROM ORDINARY OPERATIONS</b>          | <b>194</b> | <b>(22)</b> | <b>216</b> | <b>-982%</b> |
| Taxes on income                                  | (52)       | 31          | (83)       | -268%        |
| Minority interest                                | (5)        | (5)         |            | 0%           |
| <b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b> | <b>137</b> | <b>4</b>    | <b>133</b> |              |
| <b>RESULTS FROM DISCONTINUED OPERATIONS</b>      | <b>(2)</b> | <b>(1)</b>  | <b>(1)</b> | <b>100%</b>  |
| <b>NET INCOME</b>                                | <b>135</b> | <b>3</b>    | <b>132</b> |              |
| Operating (Loss)/ Profit before D & A            | 688        | 546         | 142        | 26%          |
| <i>As a % of Net Revenues</i>                    | <i>33%</i> | <i>34%</i>  |            |              |

**4- Consolidated Revenues Breakdown  
Three-Months Comparison**

|                   | Mar-31 |      | Δ\$ | Δ%   |
|-------------------|--------|------|-----|------|
|                   | 2007   | 2006 |     |      |
| Fixed Telephony   | 554    | 537  | 17  | 3%   |
| Measured service  |        |      |     |      |
| Local             | 110    | 119  | (9) | -8%  |
| DLD               | 121    | 107  | 14  | 13%  |
| Monthly charges   | 182    | 176  | 6   | 3%   |
| Public telephones | 31     | 36   | (5) | -14% |
| Interconnection   | 84     | 69   | 15  | 22%  |



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|                                  |              |              |            |            |
|----------------------------------|--------------|--------------|------------|------------|
| Others                           | 26           | 30           | (4)        | -13%       |
| <b>International Telephony</b>   | <b>65</b>    | <b>60</b>    | <b>5</b>   | <b>8%</b>  |
| Data transmission & Internet     | 164          | 135          | 29         | 21%        |
| <b>Cellular Telephony</b>        | <b>1,272</b> | <b>879</b>   | <b>393</b> | <b>45%</b> |
| Telecom Personal                 | 1,180        | 811          | 369        | 45%        |
| Monthly fee and measured service | 265          | 193          | 72         | 37%        |
| Pre-paid card                    | 418          | 230          | 188        | 82%        |
| Calling Party Pays               | 128          | 114          | 14         | 12%        |
| TLRD *                           | 127          | 90           | 37         | 41%        |
| Handset sales                    | 124          | 99           | 25         | 25%        |
| Others                           | 118          | 85           | 33         | 39%        |
| <b>Núcleo</b>                    | <b>92</b>    | <b>68</b>    | <b>24</b>  | <b>35%</b> |
| Monthly fee and measured service | 15           | 13           | 2          | 15%        |
| Pre-paid card                    | 49           | 32           | 17         | 53%        |
| Calling Party Pays               | 10           | 10           |            | 0%         |
| TLRD *                           | 12           | 7            | 5          | 71%        |
| Handset sales                    | 2            | 1            | 1          | 100%       |
| Others                           | 4            | 5            | (1)        | -20%       |
| <b>TOTAL NET REVENUES</b>        | <b>2,055</b> | <b>1,611</b> | <b>444</b> | <b>28%</b> |

\* Charges for the termination of calls of the cellular operators.

**Table of Contents****5- Consolidated Income Statement by segments  
Three Months Period - Fiscal Year 2007**

(In million of Argentine pesos)

|  | Voice, Data  | Segments<br>Cellular | Consolidated | Variation vs 1Q 06 |              |
|--|--------------|----------------------|--------------|--------------------|--------------|
|  | and Internet | Telephony            |              | Δ\$                | Δ%           |
| <b>NET REVENUES</b>                              | <b>783</b>   | <b>1,272</b>         | <b>2,055</b> | <b>444</b>         | <b>28%</b>   |
| Salaries and social security contributions       | (167)        | (47)                 | (214)        | (25)               | 13%          |
| Taxes  | (48)         | (113)                | (161)        | (46)               | 40%          |
| Materials and supplies                           | (71)         | (29)                 | (100)        | (30)               | 43%          |
| Doubtful accounts                                | (5)          | (14)                 | (19)         | (1)                | 6%           |
| Interconnection cost                             | (37)         |                      | (37)         | (10)               | 37%          |
| Settlement charges                               | (31)         |                      | (31)         | 6                  | -16%         |
| Lease of lines and circuits                      | (9)          | (12)                 | (21)         | (7)                | 50%          |
| Service fees                                     | (26)         | (32)                 | (58)         | (10)               | 21%          |
| Advertising                                      | (11)         | (50)                 | (61)         | (25)               | 69%          |
| Agent and Prepaid card commissions               | (6)          | (171)                | (177)        | (61)               | 53%          |
| Cost of cellular handsets                        |              | (197)                | (197)        | (18)               | 10%          |
| Roaming and TLRD                                 |              | (176)                | (176)        | (47)               | 36%          |
| Others   | (52)         | (63)                 | (115)        | (28)               | 32%          |
| <b>Operating Profit before D&amp;A</b>           | <b>320</b>   | <b>368</b>           | <b>688</b>   | <b>142</b>         | <b>26%</b>   |
| <i>Operating Profit before D&amp;A Margin</i>    | <i>41%</i>   | <i>29%</i>           | <i>33%</i>   |                    | <i>0%</i>    |
| Depreciation of fixed assets                     | (207)        | (111)                | (318)        | 20                 | -6%          |
| Amortization of intangible assets                | (3)          | (9)                  | (12)         | (1)                | 9%           |
| <b>OPERATING RESULTS</b>                         | <b>110</b>   | <b>248</b>           | <b>358</b>   | <b>161</b>         | <b>82%</b>   |
| <b>EQUITY INCOME FROM RELATED COMPANIES</b>      |              |                      |              | <b>(6)</b>         | <b>-100%</b> |
| <b>FINANCIAL AND HOLDING INCOME</b>              | <b>(88)</b>  | <b>(44)</b>          | <b>(132)</b> | <b>51</b>          | <b>-28%</b>  |
| <b>OTHER EXPENSES, NET</b>                       | <b>(23)</b>  | <b>(8)</b>           | <b>(31)</b>  | <b>11</b>          | <b>-26%</b>  |
| <b>INCOME FROM ORDINARY OPERATIONS</b>           | <b>(1)</b>   | <b>196</b>           | <b>195</b>   | <b>217</b>         | <b>-986%</b> |
| Taxes on income                                  | (23)         | (29)                 | (52)         | (83)               | -268%        |
| Minority interest                                |              | (5)                  | (5)          | (9)                | 180%         |
| <b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b> | <b>(24)</b>  | <b>162</b>           | <b>138</b>   | <b>139</b>         | <b>0%</b>    |
| <b>RESULTS FROM DISCONTINUED OPERATIONS</b>      | <b>(3)</b>   |                      | <b>(3)</b>   | <b>(6)</b>         | <b>0%</b>    |
| <b>NET INCOME</b>                                | <b>(27)</b>  | <b>162</b>           | <b>135</b>   | <b>135</b>         |              |

**Consolidated Income Statement by segments**

**Three Month Period - Fiscal Year 2006**

(In million of Argentine pesos)

|  | Voice, Data<br>and Internet | Segments<br>Cellular<br>Telephony | Consolidated |
|--|-----------------------------|-----------------------------------|--------------|
| <b>NET REVENUES</b>                              | <b>732</b>                  | <b>879</b>                        | <b>1,611</b> |
| Salaries and social security contributions       | (156)                       | (33)                              | (189)        |
| Taxes  | (42)                        | (73)                              | (115)        |
| Materials and supplies                           | (55)                        | (15)                              | (70)         |
| Doubtful accounts                                | (5)                         | (13)                              | (18)         |
| Interconnection cost                             | (27)                        |                                   | (27)         |
| Settlement charges                               | (37)                        |                                   | (37)         |
| Lease of lines and circuits                      | (8)                         | (6)                               | (14)         |
| Service fees                                     | (20)                        | (28)                              | (48)         |
| Advertising                                      | (8)                         | (28)                              | (36)         |
| Agent and Prepaid card commissions               | (4)                         | (112)                             | (116)        |
| Cost of cellular handsets                        |                             | (179)                             | (179)        |
| Roaming and TLRD                                 |                             | (129)                             | (129)        |
| Others   | (43)                        | (44)                              | (87)         |
| <i>Operating Profit before D &amp; A</i>         | <i>327</i>                  | <i>219</i>                        | <i>546</i>   |
| <i>Operating Profit before D &amp; A Margin</i>  | <i>45%</i>                  | <i>25%</i>                        | <i>34%</i>   |
| Depreciation of fixed assets                     | (240)                       | (98)                              | (338)        |
| Amortization of intangible assets                | (2)                         | (9)                               | (11)         |
| <b>OPERATING RESULTS</b>                         | <b>85</b>                   | <b>112</b>                        | <b>197</b>   |
| <b>EQUITY INCOME FROM RELATED COMPANIES</b>      |                             | <b>6</b>                          | <b>6</b>     |
| <b>FINANCIAL AND HOLDING INCOME</b>              | <b>(141)</b>                | <b>(42)</b>                       | <b>(183)</b> |
| <b>OTHER EXPENSES, NET</b>                       | <b>(25)</b>                 | <b>(17)</b>                       | <b>(42)</b>  |
| <b>INCOME FROM ORDINARY OPERATIONS</b>           | <b>(81)</b>                 | <b>59</b>                         | <b>(22)</b>  |
| Taxes on income                                  | 20                          | 11                                | 31           |
| Minority interest                                |                             | (5)                               | (5)          |
| <b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b> | <b>(61)</b>                 | <b>65</b>                         | <b>4</b>     |
| <b>RESULTS FROM DISCONTINUED OPERATIONS</b>      | <b>(1)</b>                  |                                   | <b>(1)</b>   |
| <b>NET INCOME</b>                                | <b>-62</b>                  | <b>65</b>                         | <b>3</b>     |

**Table of Contents****TELECOM ARGENTINA S.A.****Unconsolidated Information****FIRST QUARTER - FISCAL YEAR 2007**

(In millions of Argentine pesos)

**6- Balance Sheet**

|  | Mar-31<br>2007 | Dec-31<br>2006 | Δ \$        | Δ %        |
|--|----------------|----------------|-------------|------------|
| Cash, equivalents and investments        | 829            | 484            | 345         | 71%        |
| Trade receivables                        | 377            | 379            | (2)         | -1%        |
| Other current assets                     | 78             | 56             | 22          | 39%        |
| <b>TOTAL CURRENT ASSETS</b>              | <b>1,284</b>   | <b>919</b>     | <b>365</b>  | <b>40%</b> |
| Other Trade receivables                  | 303            | 284            | 19          | 7%         |
| Fixed & Intangible assets                | 4,066          | 4,191          | (125)       | -3%        |
| Investments                              | 899            | 872            | 27          | 3%         |
| Other non-current assets                 | 10             | 10             |             | 0%         |
| <b>TOTAL NON -CURRENT ASSETS</b>         | <b>5,278</b>   | <b>5,357</b>   | <b>(79)</b> | <b>-1%</b> |
| <b>TOTAL ASSETS</b>                      | <b>6,562</b>   | <b>6,276</b>   | <b>286</b>  | <b>5%</b>  |
| Accounts payable                         | 520            | 543            | (23)        | -4%        |
| Loans                                    | 1,078          | 1,015          | 63          | 6%         |
| Reserves                                 | 73             | 78             | (5)         | -6%        |
| Other current liabilities                | 200            | 190            | 10          | 5%         |
| <b>TOTAL CURRENT LIABILITIES</b>         | <b>1,871</b>   | <b>1,826</b>   | <b>45</b>   | <b>2%</b>  |
| Loans                                    | 1,938          | 1,879          | 59          | 3%         |
| Compensation and social benefits payable | 33             | 32             | 1           | 3%         |
| Others liabilities                       | 184            | 161            | 23          | 14%        |
| Reserves                                 | 275            | 249            | 26          | 10%        |
| <b>TOTAL NON -CURRENT LIABILITIES</b>    | <b>2,430</b>   | <b>2,321</b>   | <b>109</b>  | <b>5%</b>  |
| <b>TOTAL LIABILITIES</b>                 | <b>4,301</b>   | <b>4,147</b>   | <b>154</b>  | <b>4%</b>  |
| Shareholders equity                      | 2,261          | 2,129          | 132         | 6%         |
| <b>TOTAL LIABILITIES AND EQUITY</b>      | <b>6,562</b>   | <b>6,276</b>   | <b>286</b>  | <b>5%</b>  |

**7- Income Statement**

**Three-Months Comparison**

|  | 31-Mar     |             | Δ \$       | Δ %        |
|--|------------|-------------|------------|------------|
|  | 2007       | 2006        |            |            |
| Net revenues                                   | 890        | 809         | 81         | 10%        |
| Cost of services provided                      | (477)      | (469)       | (8)        | -2%        |
| <b>GROSS PROFIT</b>                            | <b>413</b> | <b>340</b>  | <b>73</b>  | <b>21%</b> |
| Administrative expenses                        | (43)       | (40)        | (3)        | -8%        |
| Selling expenses                               | (155)      | (140)       | (15)       | -11%       |
| <b>OPERATING PROFIT</b>                        | <b>215</b> | <b>160</b>  | <b>55</b>  | <b>34%</b> |
| Equity income from related companies           | 55         | (13)        | 68         | 523%       |
| Financial & holding results                    | (88)       | (141)       | 53         | 38%        |
| Other incomes & expenses                       | (19)       | (21)        | 2          | 10%        |
| <b>RESULTS FROM ORDINARY OPERATIONS</b>        | <b>163</b> | <b>(15)</b> | <b>178</b> | <b>0%</b>  |
| Taxes on income                                | (23)       | 20          | (43)       | -215%      |
| <b>NET INCOME</b>                              | <b>135</b> | <b>3</b>    | <b>135</b> | <b>0%</b>  |
| <b>Operating (Loss)/ Profit before D&amp;A</b> | <b>425</b> | <b>402</b>  | <b>23</b>  | <b>6%</b>  |
| <i>As a % of Net Revenues</i>                  | <b>48%</b> | <b>50%</b>  |            |            |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Telecom Argentina S.A.**

Date: May 11, 2007

By: /s/ Amadeo R. Vázquez  
Name: Amadeo R. Vázquez  
Title: President