

TELECOM ARGENTINA SA  
Form 6-K  
August 16, 2004  
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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 August, 2004

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

## Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

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

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

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 dated August 10, 2004, titled, Telecom Argentina S.A. Announces Consolidated Six-Month Period ( 1H04 ) and Second Quarter ( 2Q04 ) Results for Fiscal Year 2004\* .
2. Presentation entitled, Telecom Argentina: Second Quarter - Fiscal Year 2004 (6-month period ended June 30, 2004) Earnings Results .

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**FOR IMMEDIATE RELEASE**

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**Market Cap: P\$5.5 billion  
(August 10, 2004)**

**Marlene Wechselblatt  
Golin/Harris International  
(212) 373-6037**

**TELECOM ARGENTINA S.A. ANNOUNCES**  
**CONSOLIDATED SIX-MONTH PERIOD ( 1H04 )**  
**AND SECOND QUARTER ( 2Q04 ) RESULTS**  
**FOR FISCAL YEAR 2004 \***

**MAJOR EVENTS AND DEVELOPMENTS**

During 1H04 the following results were registered:

Net Revenues amounted to P\$2,070MM (+ P\$320 MM or +18% vs. 1H03) mainly due to the expansion of the mobile business.

Operating Profit amounted to P\$132 MM (+P\$139 MM vs. 1H03).

Net loss of P\$230 MM (P\$ -1,518 MM vs 1H03) was mainly due to a lower gain for exchange differences.

Shareholders Equity amounted to P\$938 MM (-P\$1,167 MM or -55% vs. 1H03).

Net Financial Debt as of June 30, 2004 reached P\$7,161 MM (-P\$314 MM or -4% vs. 1H03).

The Financial Indebtedness Ratio (Net Financial Debt / Shareholders equity) increased to 7.2 (from 3.6 as of June 30, 2003).

The operations of the Company are still being influenced by the pesification and freeze of regulated tariffs. Additionally, the results of the Company continue to be highly impacted by the fluctuation of the exchange rate of the Peso vs the Dollar and the Euro.

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	As of June 30			
	2004	2003	Δ \$	Δ %
Consolidated net revenues (in MM P\$)	2.070	1.750	320	18%
Fixed Telephony	1.311	1.236	75	6%
Cellular	753	512	241	47%
Directories edition	6	2	4	200%
Operating Profit before D&A (in MM P\$)	983	943	40	4%
Operating Profit/(Loss) (in MM P\$)	132	(7)	139	-1979%
Net income / (loss) (in MM P\$)	(230)	1.288	(1.518)	-118%
Shareholder s equity (in MM P\$)	938	2.105	(1.167)	-55%
Net financial debt (in MM P\$)	7.161	7.475	(314)	-4%
CAPEX (in MM P\$)	117	22	95	432%
Lines in service (Fixed lines -in thousands)	3.701	3.579	122	3%
Cellular customers (in thousands)	3.577	2.770	807	29%
Telecom Personal	3.101	2.254	847	38%
Núcleo	476	516	(40)	-8%
ADSL Total lines (in thousands)	94	54	40	74%
Arnet subscribers (in thousands)	216	187	29	16%
Dial-up	157	152	5	3%
ADSL	59	35	24	69%
Fixed traffic (in MM minutes)	7.941	7.579	362	5%
Incoming/Outgoing cellular traffic (in MM minutes)	1.659	1.158	501	43%
Average Revenue per user (ARPU ) Fixed Telephony (in P\$)	39	39	0	0%
Average Revenue per user (ARPU ) Cellular Telephony (in P\$)	34	30	4	13%

\* Non-financial data unaudited.

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**Buenos Aires, August 10, 2004** Telecom Argentina (BASE: TECO2, NYSE: TEO), one of Argentina's largest telecommunications companies, announced today a consolidated net loss of **P\$230 million** for the six-month period ended June 30, 2004 ( 1H04 ). Comparatively, consolidated net income for the six-month period ended June 30, 2003 ( 1H03 ) was **P\$1,288 million**. Consolidated net loss for second quarter of fiscal year 2004 ( 2Q04 ) was **P\$354 million**. Comparatively, consolidated net income for 2Q03, was **P\$381 million**.

Earnings/loss per share and ADR for 1H04 amounted to **P\$(0.23)** and **P\$(0.87)**, respectively. Earnings per share/loss and ADR for 1H03, were **P\$1.31** and **P\$6.55**, respectively. Earnings/loss per share and ADR for 2Q04 amounted to **P\$(0.36)** and **P\$(1.80)**, respectively. In comparison, earnings/loss per share and ADR for 2Q03, were **P\$0.39** and **P\$1.95**, respectively.

Operating profit before depreciation and amortization, operating profit/(loss) and net income/(loss) for 1H04 represented, 48%, 6% and (11%) of net sales, respectively; compared with 54%, (0.40%) and 74%, respectively, for 1H03. Operating profit before depreciation and amortization, operating profit/(loss) and net income/(loss) for 2Q04 represented, 46%, 6% and (34%) of net sales, respectively; compared with 55%, 2% and 42%, respectively, for 2Q03.

## Company Activities

### **Evolution of Consolidated Net Revenues**

#### **(1H04 vs. 1H03 comparison)**

Consolidated net revenues for 1H04 totaled P\$2,070 million, an increase of P\$320 million, or 18%, compared with P\$1,750 million for 1H03. The increase can be largely attributed to the recovery in demand, particularly in the cellular business in Argentina.

### **Fixed Telephony**

In fixed telephony operations, local measured service revenues increased by P\$16 million, or 7%, to P\$246 million during 1H04. Domestic long distance revenues increased by P\$8 million, or 4%, reaching P\$212 million. Revenues from both local and domestic long distance telephony increased due to higher traffic.

Total traffic volume (Local and DLD), measured in minutes, increased by 5%.

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Monthly charges increased by P\$14 million, or 5%, to P\$311 million for 1H04, mainly due to the increase in customer lines. Customer lines as of June 30, 2004 increased to approximately

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3,400,000, due to the recovery in demand, compared to approximately 3,280,000 as of June 30, 2003. This level of lines in service is still lower than to that registered in December 2001. Moreover, monthly charges remained stable after the pesification and freeze enforced by the Argentine Government in January 6, 2002.

Revenues generated by interconnection services increased by P\$28 million, or 40%, to P\$98 million, mainly due to the increase of traffic transported by the fixed and cellular networks.

Regarding the international telephony activities during 1H04, revenues reached P\$105 million increasing by P\$3 million or 3%, mainly due to the increase in revenues of Telecom USA, Telecom Argentina's subsidiary in the U.S.A.

## **Internet and Data Transmission**

Revenues generated by the data transmission business totaled P\$162 million, representing a decrease of P\$4 million, or 2%, mainly due to the delay in the recovery of the demand for these services and to the price discounts applied to address increasing competition, partially offset by the increase in ADSL connections from other Internet providers. As of June 30, 2004 total lines in service with ADSL connections amounted to 93,600, an increase of 39,800, or 74%, compared to approximately 53,800 as of June 30, 2003. Internet minutes represented 32% of total traffic measured in minutes transported over the fixed-line network.

Internet revenues from the Arnet unit increased by P\$8 million, or 29%, to P\$36 million, mainly due to the higher number of subscribers in ADSL high-speed access. As of June 30, 2004, the number of Arnet's ADSL subscribers reached approximately 59,400, while Internet dial-up customers reached approximately 156,700, increasing by 69% and 3%, respectively.

## **Cellular Telephony**

The revenues generated by the cellular business during 1H04 increased by P\$241 million, or 47%, to P\$753 million.

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Revenues of Telecom Personal in Argentina increased by P\$228 million, or 52%, to P\$670 million, mainly due to the higher number of subscribers, to the increase in outgoing and incoming traffic and to the increase in sales of

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handsets, in part, supported by the development of the GSM network.

Furthermore, the average revenue per user increased by 13% (to P\$34 per customer, including revenues for TLRD or termination of calls coming from other cellular operators). Likewise, total cellular traffic increased by 43%.

Total cellular subscribers of Telecom Personal in Argentina reached approximately 3,100,000 at June 30, 2004, representing an increase of approximately 847,000 customers, or 38%.

It must be noted that during the first semester the level of competition in the cellular market has increased significantly after the launch of GSM. Accordingly, Telecom Personal continued to increase the coverage and capacity of its GSM network and has continued with marketing campaigns aimed to reposition its brand and strengthen its market leadership.

The customer base as of June 30, 2004 amounted to approximately 2,439,000 prepaid subscribers, representing 79% of the total customer base, and approximately 662,000 post-paid subscribers, representing the remaining 21% .

Núcleo, Telecom Personal's subsidiary that provides cellular services in Paraguay, generated P\$83 million in revenues during 1H04, which are consolidated into the mobile telephony segment together with the revenues of Telecom Personal. Nucleo's 1H04 revenues represented an increase of P\$13 million, or 19% .

As of June 30, 2004, Núcleo had approximately 476,000 customers, a decrease of approximately 8% due to the loss of dormant prepaid customers whose elimination from Nucleo's customer base was mandated by the Paraguayan regulatory authority.

## **Directories**

In the telephone directories publishing business, revenues from the affiliated company Publicom increased by P\$4 million to P\$6 million during 1H04 due to the positive evolution in the sales of advertising space by Paginas Amarillas product and the publication of several special directories.

## **Evolution of Operating Costs**

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The cost of services provided, administrative expenses and selling expenses for 1H04 increased by P\$181 million, or 9%, to P\$1,938 million, mainly due to the increase in labor, materials and supplies, advertising, commission for handsets sales and TLRD costs in the cellular telephony. The evolution of costs is related to the increase in sales in the mobile telephony.

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Salaries and social security contributions increased by P\$58 million, or 25%, to P\$286 million primarily due to the increase in salaries granted during the second semester of last year and the increase in headcount as a consequence of the addition in September 2003 of employees previously employed by third parties and whose costs were previously accounted for under Services Fees. As of June 30, 2004, the headcount totaled 14,175, compared to 13,099 as of June 30, 2003.

The allowance for doubtful accounts decreased by P\$11 million, or 85%, to P\$2 million. The positive evolution was related to the improvement in the levels of collection and the recovery of past due accounts especially in the fixed telephony business.

Sales commissions increased by P\$35 million, or 85%, to P\$76 million for 1H04, as a consequence of commissions paid for new customers and higher sales of cellular prepaid cards.

Costs related to advertising increased by P\$31 million, or 388%, to P\$39 million for 1H04. This increase was mainly due to higher media advertising expenses for the Internet and cellular businesses.

In the cellular telephony business, TLRD costs, which have been accounted since mid-2003, reached P\$53 million. Additionally, in 1H04 the cost of cellular handset increased by \$72 million reaching P\$75 million mainly due to the increase in handsets sales as a consequence of the cellular business growth after the launch of GSM service.

Depreciation of fixed and intangible assets decreased by P\$99 million, or 10%, to P\$851 million during 1H04 as a consequence of the end of the amortization period of certain assets.

## **Financial and Holding Results**

The loss resulting from financial and holding results reached P\$298 million for 1H04 as compared to a gain of P\$1,019 million in 1H03. The difference can be largely attributed to the lower results by P\$1,228 million as net currency exchange differences derived from the depreciation of the Peso on the Consolidated Net Debt. In addition, the Company has taken a charge of P\$58 million, related to the reevaluation of the Argentina 2004 Bond (see Note 11 of the Financial Statements)

## **Other Expenses**

Other expenses (net) decreased by P\$31 million, or 36%, to P\$55 million for the 1H04 mainly as a result of lower severance payments and lower provisions for lawsuits.

**Cash flow and Net Financial Debt**

Net Debt (Loans minus Cash and Banks plus Investments) decreased by P\$314 million, or 4%, to P\$7,161 million for 1H04 compared with 1H03 (P\$7,475 million), as a consequence of the cash flow generation of the company partially offset by accrued interests and exchange rate differences.

**Investments**

Of the total amount of P\$117 million invested during 1H04, P\$29 million, or 25%, corresponds to fixed-line telephony, data transmission and Internet, and P\$88 million or 75% to the cellular business as Telecom Personal continues with the deployment of the GSM network.

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**Note:** Material and supplies not included.

**Other Matters**

**Debt Restructuring**

After having launched its APE Solicitation process on June 22, 2004, the Company announced on August 9, 2004, that it had achieved a participation of approximately 87% of the principal amount of its outstanding debt, in its *Acuerdo Preventivo Extrajudicial* ( APE ) solicitation process. It also indicated that certain creditors have notified Telecom Argentina of their intention to participate through notices of guaranteed delivery, which, if the related letters of transmittal are duly delivered, it is expected to increase the level of participation in its APE Solicitation. Moreover, Telecom Argentina informed it will consider accepting additional submissions through August 13, 2004 subject to regulatory restrictions in certain jurisdictions.

Finally, on July 28, 2004, Telecom Personal notified its creditors that in response to requests received for additional time to properly complete their letters of transmittal, the expiration date of the Telecom Personal solicitation was extended to August 13, 2004.

**Agreement with the National Government**

On May 20, 2004, the President of Telecom, Mr. Amadeo Vázquez, signed a letter of agreement with the National Government by which it was agreed:

To maintain the actual tariff structure for the Basic Telephony Services until December 31, 2004.

The development of services for the Jefas and Jefes de Hogar plan (social and unemployment plans), that will be implemented according to the requirements of the Regulatory Authority.

To expand, at promotional prices, the Internet access to the interior of the Country.

To reach an agreement on the renegotiations of the contract by December 31, 2004.

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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, PCS, 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.

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, the capital stock of Nortel is comprised of preferred shares that are held by minority shareholders.

On June 30, 2004, Telecom had 984,380,978 shares outstanding.

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**For information about Telecom Group services visit:**

**[www.telecom.com.ar](http://www.telecom.com.ar)**

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**[www.paginasamarillas.com.ar](http://www.paginasamarillas.com.ar)**

**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 impact of recent 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, uncertainties concerning the impact of recent

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emergency laws enacted by the Argentine Government which have resulted in the repeal of Argentina's Convertibility law, the devaluation of the peso, restrictions on the ability to exchange pesos into foreign currencies, the adoption of a restrictive currency transfer policy, 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 and rapid 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 current and on-going recession in Argentina, growing inflationary pressure and reduction 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

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unanticipated events. Readers are encouraged to consult the Company's Annual Report and 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.

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**(Financial tables follow)**

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**Amadeo R. Vázquez**

**President**

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Consolidated information

**SIX MONTH PERIOD AND SECOND QUARTER-FISCAL YEAR 2004.****(In millions of Argentine pesos, except statistical data)**1- **Consolidated Balance Sheet**

	<b>Jun-30</b>	<b>Dic-31</b>	<b>Δ \$</b>	<b>Δ%</b>
	<b>2004</b>	<b>2003</b>		
Cash, equivalents and investments	3.210	2.467	743	30%
Trade receivables	570	581	(11)	-2%
Other current assets	166	136	30	22%
<b>TOTAL CURRENT ASSETS</b>	<b>3.946</b>	<b>3.184</b>	<b>762</b>	<b>24%</b>
Fixed & Intangible assets	8.133	8.846	(713)	-8%
Other non-current assets	245	240	5	2%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8.378</b>	<b>9.086</b>	<b>(708)</b>	<b>-8%</b>
<b>TOTAL ASSETS</b>	<b>12.324</b>	<b>12.270</b>	<b>54</b>	<b>0%</b>
Accounts payable	435	451	(16)	-4%
Loans	10.346	9.996	350	4%
Reserves	29	15	14	93%
Other current liabilities	199	222	(23)	-10%
<b>TOTAL CURRENT LIABILITIES</b>	<b>11.009</b>	<b>10.684</b>	<b>325</b>	<b>3%</b>
Loans	25	86	(61)	-71%
Reserves	224	210	14	7%
Other non-current liabilities	70	69	1	1%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>319</b>	<b>365</b>	<b>(46)</b>	<b>-13%</b>
<b>TOTAL LIABILITIES</b>	<b>11.328</b>	<b>11.049</b>	<b>279</b>	<b>3%</b>
Minority Interest	34	32	2	6%
Temporary differences from translation	24	21	3	14%
Shareholders equity	938	1.168	(230)	-20%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>12.324</b>	<b>12.270</b>	<b>54</b>	<b>0%</b>

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2- Consolidated Loans

	<b>Jun-30</b>	<b>Dic-31</b>		
	<b>2004</b>	<b>2003</b>	<b>Δ \$</b>	<b>Δ %</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Corporate Bonds	4.819	4.912	(93)	-2%
Banks	1.733	1.638	95	6%
On purchase of fixed assets and inventories	2.609	2.595	14	1%
Accrued interest	1.015	747	268	36%
Penalties or default interest	170	104	66	63%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL CURRENT LOANS</b>	<b>10.346</b>	<b>9.996</b>	<b>350</b>	<b>4%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Banks	25	86	(61)	-71%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL NON-CURRENT LOANS</b>	<b>25</b>	<b>86</b>	<b>(61)</b>	<b>-71%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LOANS</b>	<b>10.371</b>	<b>10.082</b>	<b>289</b>	<b>3%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Table of Contents**3- Consolidated Income Statement  
Six -Month Comparison

	<u>Jun-30</u>			
	<u>2004</u>	<u>2003</u>	<u>Δ \$</u>	<u>Δ %</u>
Net revenues	2.070	1.750	320	18%
Cost of services provided	(1.383)	(1.244)	(139)	11%
<b>GROSS PROFIT</b>	<b>687</b>	<b>506</b>	<b>181</b>	<b>36%</b>
Administrative expenses	(125)	(137)	12	-9%
Selling expenses	(430)	(376)	(54)	14%
<b>OPERATING (LOSS)/PROFIT</b>	<b>132</b>	<b>(7)</b>	<b>139</b>	<b>-1979%</b>
Net financial & holding results	(298)	1.019	(1.317)	-129%
Debt Restructuring Results		374	(374)	-100%
Other incomes & expenses	(55)	(86)	31	-36%
<b>RESULTS FROM ORDINARY OPERATIONS</b>	<b>(221)</b>	<b>1.300</b>	<b>(1.521)</b>	<b>-117%</b>
Taxes on income	(8)		(8)	
Minority interest	(1)	(12)	11	-92%
<b>NET (LOSS)/INCOME</b>	<b>(230)</b>	<b>1.288</b>	<b>(1.518)</b>	<b>-118%</b>
Operating (Loss)/Profit before D&A	983	943	40	4%
<i>As a % of Net Revenues</i>	<i>47%</i>	<i>54%</i>		

Consolidated Income StatementThree -Month Comparison

	<u>Jun-30</u>			
	<u>2004</u>	<u>2003</u>	<u>Δ \$</u>	<u>Δ %</u>
Net revenues	1.053	899	154	17%
Cost of services provided	(702)	(607)	(95)	16%
<b>GROSS PROFIT</b>	<b>351</b>	<b>292</b>	<b>59</b>	<b>20%</b>

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Administrative expenses	(70)	(73)	3	-4%
Selling expenses	(214)	(202)	(12)	6%
<b>OPERATING (LOSS)/PROFIT</b>	<b>67</b>	<b>17</b>	<b>50</b>	<b>293%</b>
Net financial & holding results	(393)	58	(451)	-778%
Debt Restructuring Results		374	(374)	-100%
Other incomes & expenses	(24)	(63)	39	-62%
<b>RESULTS FROM ORDINARY OPERATIONS</b>	<b>(350)</b>	<b>386</b>	<b>(736)</b>	<b>-191%</b>
Taxes on income	(4)	(1)	(3)	300%
Minority interest		(4)	4	-100%
<b>NET (LOSS)/INCOME</b>	<b>(354)</b>	<b>381</b>	<b>(735)</b>	<b>-193%</b>
Operating (Loss)/Profit before D&A	489	490	(1)	0%
<i>As a % of Net Revenues</i>	<i>46%</i>	<i>55%</i>		

**Table of Contents**4- Consolidated Statement of Cash Flow  
Six -Month Comparison

	<u>Jun-30</u>			
	<u>2004</u>	<u>2003</u>	<u>Δ \$</u>	<u>Δ %</u>
Net income	(230)	1.288	(1.518)	-118%
Depreciation and Amortization	851	950	(99)	-10%
Increase in provisions	62	16	46	288%
(Increase)/decrease in assets	(94)	(230)	136	59%
(Decrease)/increase in liabilities	(6)	158	(164)	-104%
Others, net	356	(1.398)	1.754	125%
<b>Total Funds generated by Operating Activities</b>	<b>939</b>	<b>784</b>	<b>155</b>	<b>20%</b>
<b>Total Funds applied to Investing Activities</b>	<b>(61)</b>	<b>(27)</b>	<b>(34)</b>	<b>-126%</b>
Increase in financial debt, net	(2)	(5)	3	60%
Debt Restructuring Results		(421)	421	-100%
Interests and financial expenses	(7)	(328)	321	98%
<b>Total Funds applied to Financing Activities</b>	<b>(9)</b>	<b>(754)</b>	<b>745</b>	<b>99%</b>
<b>Increase/(decrease) of Funds</b>	<b>869</b>	<b>3</b>	<b>866</b>	<b>28867%</b>

Consolidated Statement of Cash FlowThree -Month Comparison

	<u>Jun-30</u>			
	<u>2004</u>	<u>2003</u>	<u>Δ \$</u>	<u>Δ %</u>
Net income	(354)	381	(735)	-193%
Depreciation and Amortization	422	473	(51)	-11%
Increase in provisions	62	16	46	288%
(Increase)/ decrease in assets	(72)	(116)	44	38%
(Decrease)/increase in liabilities	20	71	(51)	-72%
Others, net	480	(375)	855	228%
<b>Total Funds generated by Operating Activities</b>	<b>558</b>	<b>450</b>	<b>108</b>	<b>24%</b>
<b>Total Funds applied to Investing Activities</b>	<b>20</b>	<b>(42)</b>	<b>62</b>	<b>148%</b>
Increase in financial debt, net	(2)	(4)	320	99%

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Debt Restructuring Results		(421)	743	99%
Interests and financial expenses	(2)	(322)	2	50%
	—	—	—	—
Total Funds applied to Financing Activities	(4)	(747)	743	99%
	—	—	—	—
Increase/(decrease) of Funds	574	(339)	913	269%
	—	—	—	—

**Table of Contents**5- Consolidated Revenues Breakdown  
Six -Month Comparison

	<b>Jun-30</b>			
	<b>2004</b>	<b>2003</b>	<b>Δ \$</b>	<b>Δ %</b>
Fixed Telephony	1.008	940	68	7%
Measured service				
Local	246	230	16	7%
DLD	212	204	8	4%
Monthly charges	311	297	14	5%
Public telephones	84	84		0%
Interconnection	98	70	28	40%
Others	57	55	2	4%
International Telephony	105	102	3	3%
Data transmission	160	166	(6)	-4%
Data transmission Services	77	100	(23)	-23%
Monthly charges & Internet Traffic	73	62	11	18%
Others	10	4	6	150%
Internet	36	28	8	29%
Cellular Telephony	753	512	241	47%
Telecom Personal	670	442	228	52%
Monthly fee and measured service	142	117	25	21%
Pre-paid card	156	114	42	37%
Calling Party Pays	174	142	32	23%
TLRD *	58	16	42	263%
Others	140	53	87	164%
Nucleo	83	70	13	19%
Monthly fee and measured service	17	17		0%
Pre-paid card	28	15	13	87%
Calling Party Pays	23	30	(7)	-23%
TLRD *	8		8	
Others	7	8	(1)	-13%
Telephone Directories (Publicom)	6	2	4	200%
<b>TOTAL NET REVENUES</b>	<b>2.068</b>	<b>1.750</b>	<b>318</b>	<b>18%</b>

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Consolidated Revenues Breakdown

Three -Month Comparison

	<u>Jun-30</u>			
	<u>2004</u>	<u>2003</u>	<u>Δ \$</u>	<u>Δ %</u>
Fixed Telephony	504	478	26	5%
Measured service				
Local	128	126	2	2%
DLD	105	104	1	1%
Monthly charges	157	144	13	9%
Public telephones	40	41	(1)	-2%
Interconnection	48	35	13	37%
Others	26	28	(2)	-7%
International Telephony	51	49	2	4%
Data transmission	81	83	(2)	-2%
Data transmission Services	51	68	(17)	-25%
Monthly charges & Internet Traffic	38	34	4	12%
Others	(8)	(19)	11	-58%
Internet	18	14	4	29%
Cellular Telephony	393	275	118	43%
Telecom Personal	352	241	111	46%
Monthly fee and measured service	76	60	16	27%
Pre-paid card	70	61	9	15%
Calling Party Pays	114	76	38	50%
TLRD *	32	16	16	100%
Others	60	28	32	114%
Nucleo	41	34	7	21%
Monthly fee and measured service	8	8		0%
Pre-paid card	14	7	7	100%
Calling Party Pays	12	15	(3)	-20%
TLRD *	3		3	
Others	4	4		0%
Telephone Directories (Publicom)	4		4	
<b>TOTAL NET REVENUES</b>	<b>1.051</b>	<b>899</b>	<b>152</b>	<b>17%</b>

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



**Table of Contents**6- Consolidated Income Statement by Activities

Six-month period - FY 2004 (01/01/04 - 06/30/04)

(In million of Argentine pesos)

	Activities			Consolidated Activities	Variation vs 1H03	
	Fixed	Cellular	Publishing		Δ \$	Δ %
	Telephony	Telephony	Directories			
NET REVENUES	1.311	753	6	2.070	320	18%
Salaries and social security contributions	(240)	(41)	(5)	(286)	(58)	25%
Taxes	(70)	(70)	(1)	(141)	(16)	13%
Materials and supplies	(78)	(17)	(2)	(97)	(28)	41%
Allowance for doubtful accounts	6	(7)	(1)	(2)	11	-85%
Settlement charges	(39)			(39)	(2)	5%
Interconnection cost	(66)			(66)	(6)	10%
Lease of lines and circuits	(16)	(1)		(17)	6	-26%
Service fees	(24)	(5)	(1)	(30)	12	-29%
Advertising	(11)	(28)		(39)	(31)	388%
Sales commissions	(9)	(67)		(76)	(35)	85%
Others	(84)	(210)		(294)	(133)	83%
Operating (Loss)/Profit before D & A	680	307	(4)	983	40	4%
Operating (Loss)/Profit before D & A Margin	52%	41%	-67%	47%	(0)	-12%
Depreciation of fixed assets	(643)	(154)	(1)	(798)	97	-11%
Amortization of intangible assets	(31)	(22)		(53)	2	-4%
OPERATING RESULTS	6	131	(5)	132	139	-1986%
Interest on assets	(31)	8	1	(22)	89	-80%
Interest on liabilities	(188)	(88)		(276)	(1.406)	-124%
FINANCIAL AND HOLDING INCOME	(219)	(80)	1	(298)	(1.317)	-129%
DEBT RESTRUCTURING INCOME					(374)	-100%
OTHER INCOMES AND EXPENSES	(38)	(16)	(1)	(55)	31	-36%
INCOME FROM ORDINARY OPERATIONS	(251)	35	(5)	(221)	(1.521)	-117%
Taxes on income		(9)	1	(8)	(8)	
Minority interest		(1)		(1)	11	-92%

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NET (LOSS)/INCOME	(251)	25	(4)	(230)	(1,518)	-118%
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Consolidated Income Statement by Activities

Six-month period FY 2003 (01/01/03 - 06/30/03)

(In million of Argentine pesos)

	Activities			Consolidated Activities
	Fixed Telephony	Cellular Telephony	Publishing Directories	
NET REVENUES	1,236	512	2	1,750
Salaries and social security contributions	(191)	(34)	(3)	(228)
Taxes	(74)	(51)		(125)
Materials and supplies	(54)	(14)	(1)	(69)
Allowance for doubtful accounts	(5)	(7)	(1)	(13)
Settlement charges	(37)			(37)
Interconnection cost	(60)			(60)
Lease of lines and circuits	(13)	(10)		(23)
Service fees	(37)	(4)	(1)	(42)
Advertising	(4)	(4)		(8)
Sales commissions	(12)	(29)		(41)
Others	(76)	(84)	(1)	(161)
Operating (Loss)/Profit before D & A	673	275	(5)	943
<i>Operating (Loss)/Profit before D &amp; A Margin</i>	<i>54%</i>	<i>54%</i>	<i>-250%</i>	<i>54%</i>
Depreciation of fixed assets	(731)	(162)	(2)	(895)
Amortization of intangible assets	(32)	(23)		(55)
OPERATING RESULTS	(90)	90	(7)	(7)
Interest on assets	(83)	(37)	9	(111)
Interest on liabilities	821	307	2	1,130
FINANCIAL AND HOLDING INCOME	738	270	11	1,019
DEBT RESTRUCTURING INCOME	279	90	5	374
OTHER INCOMES AND EXPENSES	(45)	(30)	(11)	(86)
INCOME FROM ORDINARY OPERATIONS	882	420	(2)	1,300
Taxes on income				
Minority interest		(12)		(12)
NET (LOSS)/INCOME	882	408	(2)	1,288



**Table of Contents**7- Consolidated Income Statement by Activities  
Three-month period FY 2004 (03/31/04 - 06/30/04)

(In million of Argentine pesos)

	Activities				Variación	
	Fixed	Cellular	Publishing	Consolidated	vs 2Q03	
	Telephony	Telephony	Directories	Activities	Δ \$	Δ %
NET REVENUES	656	393	4	1.053	154	17%
Salaries and social security contributions	(127)	(23)	(3)	(153)	(37)	32%
Taxes	(34)	(35)	(1)	(70)	(7)	11%
Materials and supplies	(40)	(8)	(1)	(49)	(12)	32%
Allowance for doubtful accounts	3	(5)	(1)	(3)	3	-50%
Settlement charges	(19)			(19)	(3)	19%
Interconnection cost	(32)			(32)		0%
Lease of lines and circuits	(8)	(1)		(9)	3	-25%
Service fees	(12)	(2)	(1)	(15)	1	-6%
Advertising	(5)	(12)		(17)	(14)	467%
Sales commissions	4	(28)		(24)	(19)	380%
Others	(52)	(122)	1	(173)	(70)	68%
Operating (Loss)/Profit before D & A	334	157	(2)	489	(1)	0%
Operating (Loss)/Profit before D & A Margin	-1%	-1%	33%	-1%	(1)	-102%
Depreciation of fixed assets	(318)	(77)		(395)	51	-11%
Amortization of intangible assets	(16)	(11)		(27)		0%
OPERATING RESULTS		69	(2)	67	50	294%
Interest on assets	18	(5)	1	14	(16)	-53%
Interest on liabilities	(343)	(64)		(407)	(435)	-1554%
FINANCIAL AND HOLDING INCOME	(325)	(69)	1	(393)	(451)	-778%
DEBT RESTRUCTURING INCOME					(374)	-100%
OTHER INCOMES AND EXPENSES	(18)	(5)	(1)	(24)	39	-62%
INCOME FROM ORDINARY OPERATIONS	(343)	(5)	(2)	(350)	(736)	-191%

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Taxes on income	(4)	(4)	(3)	300%
Minority interest			4	-100%
<b>NET (LOSS)/INCOME</b>	<b>(343)</b>	<b>(9)</b>	<b>(2)</b>	<b>(354)</b>
			<b>(735)</b>	<b>-193%</b>

Consolidated Income Statement by Activities

Three-month period FY 2003 (03/31/03 - 06/30/03)

(In million of Argentine pesos)

	Activities			Consolidated Activities
	Fixed Telephony	Cellular Telephony	Publishing Directories	
NET REVENUES	624	275		899
Salaries and social security contributions	(98)	(17)	(1)	(116)
Taxes	(35)	(28)		(63)
Materials and supplies	(30)	(7)		(37)
Allowance for doubtful accounts	(1)	(4)	(1)	(6)
Settlement charges	(16)			(16)
Interconnection cost	(32)			(32)
Lease of lines and circuits	(6)	(6)		(12)
Service fees	(15)		(1)	(16)
Advertising	(1)	(2)		(3)
Sales commissions	3	(8)		(5)
Others	(51)	(52)		(103)
Operating (Loss)/Profit before D & A	342	151	(3)	490
<i>Operating (Loss)/Profit before D &amp; A Margin</i>	<i>55%</i>	<i>55%</i>	<i>0%</i>	<i>55%</i>
Depreciation of fixed assets	(365)	(80)	(1)	(446)
Amortization of intangible assets	(16)	(11)		(27)
<b>OPERATING RESULTS</b>	<b>(39)</b>	<b>60</b>	<b>(4)</b>	<b>17</b>
Interest on assets	27	(6)	9	30
Interest on liabilities	(19)	47		28
<b>FINANCIAL AND HOLDING INCOME</b>	<b>8</b>	<b>41</b>	<b>9</b>	<b>58</b>
<b>DEBT RESTRUCTURING INCOME</b>	<b>279</b>	<b>90</b>	<b>5</b>	<b>374</b>
<b>OTHER INCOMES AND EXPENSES</b>	<b>(30)</b>	<b>(23)</b>	<b>(10)</b>	<b>(63)</b>
<b>INCOME FROM ORDINARY OPERATIONS</b>	<b>218</b>	<b>168</b>		<b>386</b>
Taxes on income			(1)	(1)
Minority interest		(4)		(4)
<b>NET (LOSS)/INCOME</b>	<b>218</b>	<b>164</b>	<b>(1)</b>	<b>381</b>



**Table of Contents**8- Ratios

	<u>06/30/2004</u>	<u>12/31/2003</u>
Liquidity	0,4	0,3
Consolidated Financial Indebtedness (*)	7,6	6,5
Total Consolidated Indebtedness	11,7	9,2
Return on equity (**)	(0,2)	(10,8)

(\*) Financial indebtedness = (Loans - Cash, equiv. & Investments) / Shareholders Equity.

(\*\*) Return on equity = Profit from ordinary operations / (Shareholders Equity - net income for the period).

9- Statistical Data

TELECOM	FIXED TELEPHONY					
	30-Jun-04			30-Jun-03		
	Acumul. (1)	6m	3m	Acumul. (1)	6m	3m
Installed lines	3.801.410	1.325	591	3.800.300	(2.164)	(2.224)
Lines in service <sup>(1)</sup>	3.700.622	44.763	27.076	3.578.557	(11.727)	18.640
Customer lines	3.409.261	47.920	29.235	3.285.070	(8.882)	18.681
Public telephony lines	81.411	1.284	737	79.360	(452)	20
Digitalization (%)	100	0	100	100	0	100
Fixed lines in service per 100 inhabitants (northern region)	19,7	0	0	19,2	(0,2)	0,0

<sup>(1)</sup> Includes direct inward dialing numbers connected to digital trunk lines

**Table of Contents****TELECOM ARGENTINA S.A.**

Unconsolidated Information

**SIX MONTH PERIOD AND SECOND QUARTER- FISCAL YEAR 2004.**

(In millions of Argentine pesos)

10- **Balance Sheet**

	<b>Jun-30</b>	<b>Dic-31</b>		
	<b>2004</b>	<b>2003</b>	<b>Δ \$</b>	<b>Δ %</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash, equivalents and investments	2.716	2.028	688	34%
Trade receivables	325	317	8	3%
Other current assets	65	119	(54)	-45%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL CURRENT ASSETS</b>	<b>3.106</b>	<b>2.464</b>	<b>642</b>	<b>26%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fixed & Intangible assets	5.910	6.552	(642)	-10%
Other non-current assets	928	980	(52)	-5%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6.838</b>	<b>7.532</b>	<b>(694)</b>	<b>-9%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>9.944</b>	<b>9.996</b>	<b>(52)</b>	<b>-1%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Accounts payable	236	243	(7)	-3%
Loans	8.402	8.206	196	2%
Reserves	10	10	0	0%
Other current liabilities	147	166	(19)	-11%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>8.795</b>	<b>8.625</b>	<b>170</b>	<b>2%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Compensation and social benefits payable	31	30	1	3%
Others liabilities	34	34	0	0%
Reserves	146	139	7	5%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>211</b>	<b>203</b>	<b>8</b>	<b>4%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>9.006</b>	<b>8.828</b>	<b>178</b>	<b>2%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Shareholders equity	938	1.168	(230)	-20%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9.944</b>	<b>9.996</b>	<b>(52)</b>	<b>-1%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

11- **Income Statement**

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Six-Month Comparison

	<u>30-Jun</u>			
	<u>2004</u>	<u>2003</u>	<u>Δ \$</u>	<u>Δ %</u>
Net revenues	1.378	1.292	86	7%
Cost of services provided	(949)	(959)	10	1%
<b>GROSS PROFIT</b>	<b>429</b>	<b>333</b>	<b>96</b>	<b>29%</b>
Administrative expenses	(71)	(83)	12	14%
Selling expenses	(284)	(287)	3	1%
<b>OPERATING (LOSS)/PROFIT</b>	<b>74</b>	<b>(37)</b>	<b>111</b>	<b>300%</b>
Equity income from related companies	(50)	347	(397)	-114%
Net financial & holding results	(218)	743	(961)	-129%
Debt Restructuring Results		279	(279)	-100%
Other incomes & expenses	(36)	(44)	8	18%
<b>RESULTS FROM ORDINARY OPERATIONS</b>	<b>(230)</b>	<b>1.288</b>	<b>(1.518)</b>	<b>-118%</b>
Taxes on income				
<b>NET (LOSS)/INCOME</b>	<b>(230)</b>	<b>1.288</b>	<b>(1.518)</b>	<b>-118%</b>
Operating (Loss)/Profit before D & A	748	726	22	3%
<i>As a % of Net Revenues</i>	54%	56%		

Income Statement

Three -Month Comparison

	<u>30-Jun</u>			
	<u>2004</u>	<u>2003</u>	<u>Δ \$</u>	<u>Δ %</u>
Net revenues	689	654	35	5%
Cost of services provided	(476)	(462)	(14)	-3%
<b>GROSS PROFIT</b>	<b>213</b>	<b>192</b>	<b>21</b>	<b>11%</b>
Administrative expenses	(39)	(47)	8	17%
Selling expenses	(140)	(157)	17	11%
<b>OPERATING (LOSS)/PROFIT</b>	<b>34</b>	<b>(12)</b>	<b>46</b>	<b>383%</b>

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Equity income from related companies	(47)	133	(180)	-135%
Net financial & holding results	(324)	11	(335)	-3045%
Debt Restructuring Results		279	(279)	-100%
Other incomes & expenses	(17)	(30)	13	43%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
RESULTS FROM ORDINARY OPERATIONS	(354)	381	(735)	-193%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Taxes on income				
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
N ET (LOSS)/INCOME	(354)	381	(735)	-193%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating (Loss)/Profit before D & A	368	369	(1)	0%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>As a % of Net Revenues</i>	53%	56%		
	<u>          </u>	<u>          </u>		

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TELECOM PERSONAL S.A.

Unconsolidated Information

SIX MONTH PERIOD AND SECOND QUARTER-FISCAL YEAR 2004.

(In millions of Argentine pesos)

12- Balance Sheet

	<b>Jun-30</b>	<b>Dic-31</b>		
	<b>2004</b>	<b>2003</b>	<b>Δ \$</b>	<b>Δ %</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash, equivalents and investments	524	452	72	16%
Trade receivables	175	173	2	1%
Other current assets	94	41	53	129%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL CURRENT ASSETS</b>	<b>793</b>	<b>666</b>	<b>127</b>	<b>19%</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Trade receivables	89	77	12	16%
Fixed & Intangible assets	1.884			