

June

May

April

Consolidated
Second Quarter 2000 Results
Telefónica del Perú S.A.A.

Telefonica



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Telefónica del Perú S.A.A. Announces Consolidated Second Quarter 2000 Results

Consolidated Results

(000 Soles, except per share data)	2Q00	2Q99	2Q00/ 2Q99
Operating Revenues	1,097,953	1,090,844	0.7%
Operating Expenses	768,353	671,708	14.4%
Depreciation	215,824	182,355	18.4%
Operating Income	329,600	419,136	-21.4%
Operating Margin	30.0%	38.4%	
EBITDA	545,424	601,491	-9.3%
EBITDA Margin	49.7%	55.1%	
Non-Operating Income	4,959	(54,600)	
Net Income	191,704	216,701	-11.5%
Shares Outstanding (000)	2,104,598	2,104,598	0.0%
EPS (S/.)	0.09	0.10	-11.5%
EPADS (US\$)	0.26	0.30	-13.1%

Statistical Data

	2Q00	2Q99	2Q00/ 2Q99
Total lines in service (1)	1,719,006	1,639,733	4.8%
Public telephones	74,443	50,561	47.2%
Cellular subscribers	810,076	591,595	36.9%
Cable TV subscribers	341,716	313,872	8.9%
Total traffic (Local + LD)	2,390,466	2,358,463	1.4%
Local traffic (000 min)	2,158,870	2,101,826	2.7%
Total LD traffic (000 min.)	231,596	256,637	-9.8%

(1) Including public telephones.

Recent Relevant Events

- On June 12, 2000, the Board of Directors approved a final dividend payment of S/. 0.1069725840 per share (or approximately US\$ 0.3065 per ADS) corresponding to the fiscal year 1999. Ex-dividend, record and payment dates were June 19, 21 and 29, 2000, respectively.
- The Board of Directors approved the creation of the Management Organization position during its meeting held on June 22, 2000. This new position will be headed by Lorena Beatriz Rojas Gargurevich who will report to the Managing Director of Resources.

Management Discussion and Analysis of Consolidated Second Quarter 2000 Results

Operating Revenues

Consolidated operating revenues increased 0.7% to S/. 1,098 million from S/. 1,091 million in 2Q99 mainly due to higher revenues in local telephony (+4.5%), cable TV (+29%), business communications (+24.6%) and public telephony (+5.6%). These increases compensated lower long distance revenues (-23.0%).

Consolidated revenues increased 2.6% to S/. 2,294 million in 1H00 compared to S/. 2,237 million in 1H99.

Local Telephony

Local Telephony revenues were up 4.5% to S/. 423 million from S/. 405 million. This gain stems mainly from a 3.5% increase in the number of lines in service, which resulted in higher monthly service charge revenues.

Long Distance

Long Distance revenues decreased 23.0% to S/. 170 million from S/. 221 million in 2Q99 due to a 9.8% drop in total traffic (domestic and international), lower tariffs and settlement rates for international calls.

Public Telephony

Public Telephony revenues grew 5.6% to S/. 155 million from S/. 146 million in 2Q99 given an increase in public telephones in service. As of June 30, 2000, public telephones

in service reached 74,443 compared to 50,561 registered in the same 1999 period.

Mobile Telephony

Mobile Telephony revenues reached S/. 201 million in 2Q00 compared to S/. 202 million in 2Q99. The slight decrease was due to a lower average revenue per subscriber which was partly compensated by a 36.9% increase in the subscriber base.

Cable Television

Cable TV revenues were 29% higher than in 2Q99, and reached S/. 64 million in 2Q00 compared to S/. 49 million in the same period the previous year. The growth is a result of a 8.9% increase in the subscriber base, along with higher advertising revenues.

Business Communications

Business Communications revenues were up 24.6% to S/. 65 million from S/. 52 million in 2Q99. This increase was mainly due to higher data transmission and ISDN revenues.

Telephone Directories

Telephone Directories increased 35.1% to S/. 8 million compared to S/. 6 million in 2Q99. The gain is primarily attributed to extraordinary revenues from the sale of software to Telefónica de Argentina.

Operating Expenses

Operating expenses increased 14.4% compared to 2Q99 as a result of higher general and administrative costs (+25.8%) as well as depreciation (+18.4%). These increases were partly compensated by a 10.1% decrease in technology transfer and management fees.

In the first half of 2000, operating expenses increased 10% compared to the same period of 1999. This increase was mainly attributed to a 17.2% and a 16.0% growth in general and administrative expenses and depreciation, respectively.

Personnel

Personnel expenses were up 10.5% to S/. 149 million in 2Q00 mainly due to the executive performance program introduced in 4Q99. This program is aimed to reward executive personnel in accordance to the achievement of their goals.

General and Administrative

General and Administrative expenses increased 25.8% to S/. 248 million from S/. 197

million in 2Q99. This increase was mainly due to higher expenses in maintenance and repair of real estate and equipment, as well as higher advertising and marketing expenses.

Bad Debt Provisions

Provisions for uncollectibles increased 16.4% compared to 2Q99 given higher bad debt provisions at Telefónica Multimedia.

Depreciation

Depreciation increased 18.4% to S/. 216 million compared to S/. 182 million in 2Q99 as a result of a 6.8% increase in the average depreciable assets compared to the same quarter in 1999.

Materials and Supplies

Materials and Supplies expenses were up 11.1% to S/. 40 million compared to S/. 36 million in 2Q99 due to higher costs related to cellular equipment sales.

Operating Income

Operating income decreased 21.4% to S/. 330 million from S/. 419 million in 2Q99 mainly due to higher operating expenses compared to the same quarter in 1999. EBITDA dropped 9.3%

to S/. 545 million from S/. 601 million in 2Q99.

In the first half of 2000, operating income and EBITDA dropped 11.5% and 3.0%, respectively, compared to the same period in 1999.

Non Operating Result

Non Operating Result reported a gain of S/. 5 million in 2Q00 compared to a loss of S/. 55 million in 2Q99 as a result of the extraordinary revenue related to the sale of telephone switching equipment. Another factor that contributed to this increase was the positive monetary correction which resulted

from the difference between inflation and depreciation during 2Q00.

In the first half of 2000, non operating result registered an accumulated loss of S/. 71 million compared to a loss of S/. 271 million in the same period in 1999.

Net Income

Net income decreased 11.5% to S/. 192 million in 2Q00 compared to S/. 217 million in 2Q99. However, gross cash flow (net income + depreciation) increased to S/. 408 million from S/. 399 million in 2Q99.

Earnings per ADS reached US\$ 0.26 in 2Q00 compared to US\$ 0.30 in 2Q99.

In the first half of 2000, net income increased 19.3% to S/. 387 million compared to the same period in 1999.

Balance sheet

As of June 30, 2000, the structure and amount of current assets had no significant changes when compared to year end 1999. As for current liabilities, however, accounts payable and accrued liabilities dropped by S/. 267 million, while the current portion of long term debt increased by S/. 130 million.

Fixed assets had no changes when compared to year end 1999 as a write-off of switching equipment (S/. 302 million) compensated the amount invested. As of June 30, 2000, capital expenditures were mainly related to the expansion of data transmission and public telephony businesses.

TDP continued to implement a debt restructuring program, which includes the diversification of the financing sources, as well as the progressive reduction of total debt and the increase of long-term debt.

In terms of diversification, debt placed in the capital markets - such as bonds and commercial paper- continued to increase. In 2Q00, such debt represented 18.3% of total debt compared to 14.2% as of year end 1999. This increase stems from US dollar-denominated commercial paper issued at very attractive interest rates.

As for the goal of reducing TDP's debt, the company repaid short-term bank loans, which contributed to the increase in the percentage of long-term debt. Total debt decreased by S/. 166 million compared to year end 1999.

Lower indebtedness and higher equity due to an increase of retained earnings, resulted in a lower debt-to-equity ratio which reached 50.1% as of June 30, 2000 compared to 51.1% as of year end 1999.

Economic Indicators

	2Q00	2Q99
Exchange rate	3.492	3.337
Quarterly Depreciation	0.11%	-0.03%
CPI	0.06%	0.18%
WPI	0.16%	0.11%
* GDP (%)	5.00%	1.90%
Net Internat. Reserves (US\$ MM)	8,710	8,704

* TDP estimate for 2Q00

TABLE 1
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS IN ADJUSTED SOLES (000) AS OF JUNE 30, 2000
(Prepared In Accordance With Peruvian GAAP)

	2Q99		2Q00		Abs. Var. 2Q99 - 2Q00	% Var. 2Q99 - 2Q00	1H99		1H00		Abs. Var. 1H00-1H99	1H00/ 1H99
		%		%		%						
Local Telephone Service	404,505	37.1	422,801	38.5	18,296	4.5	819,083	36.6	857,410	37.4	38,327	4.7
Long Distance	221,229	20.3	170,236	15.5	(50,993)	(23.0)	430,906	19.3	360,802	15.7	(70,104)	(16.3)
Public Telephones	146,381	13.4	154,618	14.1	8,237	5.6	278,815	12.5	307,716	13.4	28,901	10.4
Mobile Services	202,301	18.5	200,878	18.3	(1,423)	(0.7)	385,463	17.2	410,969	17.9	25,506	6.6
Cable TV	49,362	4.5	63,675	5.8	14,313	29.0	102,224	4.6	123,084	5.4	20,860	20.4
Business Communications	52,220	4.8	65,072	5.9	12,852	24.6	99,509	4.4	122,593	5.3	23,084	23.2
Telephone Directories	5,640	0.5	7,621	0.7	1,981	35.1	102,197	4.6	87,019	3.8	(15,178)	(14.9)
Other	9,206	0.8	13,052	1.2	3,846	41.8	18,996	0.8	24,849	1.1	5,853	30.8
Total Operating Revenues	1,090,844	100.0	1,097,953	100.0	7,109	0.7	2,237,193	100.0	2,294,442	100.0	57,249	2.6
Personnel	135,173	12.4	149,301	13.6	14,128	10.5	302,081	13.5	305,997	13.3	3,916	1.3
General and Administrative	196,866	18.0	247,571	22.5	50,705	25.8	442,908	19.8	519,184	22.6	76,276	17.2
Provisions	47,544	4.4	55,331	5.0	7,787	16.4	100,844	4.5	115,279	5.0	14,435	14.3
Depreciation	182,355	16.7	215,824	19.7	33,469	18.4	363,464	16.2	421,742	18.4	58,278	16.0
Technology Transfer and Management Fees	110,862	10.2	99,650	9.1	(11,212)	(10.1)	220,148	9.8	210,722	9.2	(9,426)	(4.3)
Materials and Supplies	35,645	3.3	39,606	3.6	3,961	11.1	59,615	2.7	71,668	3.1	12,053	20.2
Own Work Capitalized	(36,737)	(3.4)	(38,930)	(3.5)	(2,193)	6.0	(72,530)	(3.2)	(76,724)	(3.3)	(4,194)	5.8
Total Operating Costs and Expenses	671,708	61.6	768,353	70.0	96,645	14.4	1,416,530	63.3	1,567,868	68.3	151,338	10.7
Operating Income	419,136	38.4	329,600	30.0	(89,536)	(21.4)	820,663	36.7	726,574	31.7	(94,089)	(11.5)
EBITDA	601,491	55.1	545,424	49.7	(56,067)	(9.3)	1,184,127	52.9	1,148,316	50.0	(35,811)	(3.0)
Other Income (Expenses)												
Interest Income	10,053	0.9	7,024	0.6	(3,029)	(30.1)	17,318	0.8	13,965	0.6	(3,353)	(19.4)
Interest Expenses	(105,948)	(9.7)	(100,111)	(9.1)	5,837	(5.5)	(193,772)	(8.7)	(201,545)	(8.8)	(7,773)	4.0
Others Net	1,823	0.2	41,503	3.8	39,680	2,176.6	(7,007)	(0.3)	17,864	0.8	24,871	(354.9)
Inflation Gain (Loss)	39,472	3.6	56,543	5.1	17,071	43.2	(87,883)	(3.9)	98,265	4.3	186,148	(211.8)
Total Other Income (Expenses)	(54,600)	(5.0)	4,959	0.5	59,559	(109.1)	(271,344)	(12.1)	(71,451)	(3.1)	199,893	(73.7)
Early Retirement Expense	-	-	-	-	-	-	-	-	-	-	-	-
Income Before Taxes and Participations	364,536	33.4	334,559	30.5	(29,977)	(8.2)	549,319	24.6	655,123	28.6	105,804	19.3
Workers' Participation	(39,219)	(3.6)	(38,555)	(3.5)	664	(1.7)	(60,795)	(2.7)	(72,531)	(3.2)	(11,736)	19.3
Income Tax	(108,616)	(10.0)	(104,300)	(9.5)	4,316	(4.0)	(164,149)	(7.3)	(195,772)	(8.5)	(31,623)	19.3
Net Income	216,701	19.9	191,704	17.5	(24,997)	(11.5)	324,375	14.5	386,820	16.9	62,445	19.3

TABLE 2
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET IN ADJUSTED SOLES (000) AS OF JUNE 30, 2000 (1)
(End of Period Figures)

ASSETS						LIABILITIES AND SHAREHOLDERS' EQUITY					
	2Q00	1Q00	4Q99	3Q99	2Q99		2Q00	1Q00	4Q99	3Q99	2Q99
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	153,889	167,613	151,005	7,352	34,571	Accounts payable and accrued liabilities	537,388	567,402	804,198	599,400	689,021
Negotiable securities	42,267	26,294	0	0	0	Other accounts payable	507,904	732,830	396,259	719,868	804,786
Accounts and notes receivable - net	894,894	918,078	876,116	1,277,010	1,408,157	Provision for severance indemnities	5,397	12,476	4,543	11,471	8,822
Other accounts receivable	321,417	283,200	277,861	353,114	556,304	Bank Loans	1,407,806	1,494,054	1,639,590	1,821,604	2,179,919
Inventory	130,519	129,511	99,159	157,566	176,753	Current maturities of long-term debt	211,618	106,536	81,735	81,285	83,556
Prepaid expenses	538,127	621,806	659,962	625,756	396,636	Bonds	414,077	302,719	137,159	0	85,960
Total current assets	2,081,113	2,146,502	2,064,103	2,420,798	2,572,421	Commercial Papers	255,248	195,836	72,852	140,153	42,526
						Total current liabilities	3,339,438	3,411,853	3,136,336	3,373,781	3,894,590
LONG-TERM INVESTMENTS	353,920	346,614	345,128	201,240	187,605	LONG-TERM DEBT	2,335,379	2,484,228	2,576,709	2,493,066	2,254,297
PROPERTY, PLANT AND EQUIPMENT	14,117,587	13,949,847	14,137,100	13,531,909	13,393,012	BONDS	217,662	331,188	499,697	526,729	427,648
Accumulated depreciation	5,318,136	5,125,287	5,206,344	5,026,743	5,014,392	GUARANTY DEPOSITS	60,460	53,779	47,234	42,583	39,747
	8,799,451	8,824,560	8,930,756	8,505,166	8,378,620	DEFERRED EARNINGS	2,209	2,207	0	0	0
OTHER ASSETS, net	252,520	273,575	276,837	300,110	308,798	DEFERRED TAXES	718,254	643,251	567,156	423,395	368,199
						SHAREHOLDERS' EQUITY					
TOTAL ASSETS	11,487,004	11,591,251	11,616,824	11,427,314	11,447,444	Capital stock	3,224,034	3,224,034	3,224,034	3,224,034	3,224,034
						Additional paid-in capital	112,850	112,850	112,850	112,850	112,850
						Legal reserve	609,808	609,808	609,808	539,854	539,854
						Retained earnings	866,910	718,053	843,000	691,022	586,225
						TOTAL SHAREHOLDERS' EQUITY	4,813,602	4,664,745	4,789,692	4,567,760	4,462,963
						TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,487,004	11,591,251	11,616,824	11,427,314	11,447,444

(1) Data is adjusted according to the WPI published by the National Statistics Institute

TABLE 3
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES
Statistical Data, End of Period Figures

	1Q99	2Q99	3Q99	4Q99	1Q00	2Q00	2Q00-2Q99	2Q00/ 2Q99
Fixed-Wire Telephone Service: Local+Long Distance								
Lines Installed	2,003,101	2,007,385	1,992,049	2,000,689	2,019,697	2,012,053	4,668	0.2
New Lines in Service	57,002	24,146	24,081	14,371	11,205	5,728	(18,418)	(76.3)
Lines in Service Including Public Telephones (1)	1,613,135	1,639,733	1,668,374	1,688,619	1,705,746	1,719,006	79,273	4.8
Local Traffic - Minutes (000)	2,151,917	2,101,826	2,079,076	2,133,624	2,100,546	2,158,870	57,044	2.7
Long Distance - Minutes (000)	253,996	256,637	254,738	245,496	236,984	231,596	(25,041)	(9.8)
Number of Employees (Telefonica del Perú and Subsidiaries)	6,460	6,571	6,669	5,735	6,023	6,185	(386)	(5.9)
Number of Employees (Telefónica del Perú)	5,393	5,364	4,910	4,839	4,867	4,920	(444)	(8.3)
Lines in Service per Employee (Telefónica del Perú)	299	306	340	349	350	349	44	14.3
Digitalization Rate (%)	90	92	95	95	95	96	4	4.1
Lines in Service per 100 inhabitants	6.5	6.5	6.6	6.7	6.7	6.8	0	4.6
PUBLIC TELEPHONES								
Lines in Service (2)	48,094	50,561	55,002	60,789	66,881	74,443	23,882	47.2
CELLULAR								
Subscribers	530,658	591,595	667,063	712,117	749,998	810,076	218,481	36.9
CABLE TV								
Subscribers	309,526	313,872	319,977	327,344	333,679	341,716	27,844	8.9

(1) Excluding Cellular Public Phones

(2) Including Cellular Public Phones