

Telefonica

Consolidated Quarterly Results

July – September 2000

Highlights

- On **July 20**, the Board of Directors approved the creation of the Real Estate Management position and designated Jaime Fernando Sánchez Aliaga in that position. Also, the Board accepted the resignation of Rafael Rodríguez Cardona as Supplies and Administration Manager, and designated José Ramón Vásquez López in that position.
- On **August 25**, Servicios Editoriales del Perú S.A.C. was created with a capital stock of S/.100,000. This capital is represented by 100,000 fully subscribed and paid-in shares, of which 99,999 shares belong to Telefónica del Perú S.A.A. and one share to Telefónica Multimedia S.A.C. Members of the Board of Directors of Servicios Editoriales del Perú S.A.C. are Alfonso Bustamante y Bustamante, José Ramón Vela Martínez, Ludwig Meier Cornejo, Michael Duncan Cary-Barnard, Joaquín Maroto Sanz and Antonio Piña López. In addition, Bruno Tomatis Chiappe was named CEO of the company.
- On **September 15**, TDP's Board of Directors authorized the negotiation of loans and credit lines for up to US\$ 450 million. The funds will be used to pre-pay other loans.
- On **September 18**, Zeleris Perú S.A.C. was included in TDP's economic group. Zeleris Perú's capital stock is S/. 1,000 represented by 1,000 fully subscribed and paid-in shares, out of which 999 shares belong to Telefónica Soluciones Globales Holding S.A.C. and one share to Telefónica Multimedia S.A.C. The members of Zeleris Perú's Board of Directors are Rafael Hernández García, Hugo Mario Mendoza Canales and Angel Vila Boix.
- On **September 22**, the Board of Directors approved the creation of the Data business unit and designated Jesús Equiza Escudero as CEO, José Luis Palomo Rodríguez as Chief Marketing and Sales Officer and José Vicente Mata López as COO. Also, the Board of Directors approved the creation of the Payment Control Management position which will report to the Managing Director of Control.
- On **September 27**, Telefónica Servicios Internet del Perú S.A.C. transferred the 999 shares of Telefónica Data Perú S.A.C. to Telefónica Data S.A.U. Telefónica Data Perú S.A.C.'s capital stock is S/. 1,000, represented by 1,000 fully subscribed and paid-in shares. Telefónica Servicios Comerciales S.A.C. owns the remaining share. The members of the Board of Directors of Telefónica Data Perú S.A.C. are José Ramón Vela Martínez, Francisco Javier Reguero Naredo and Jesús Equiza Escudero, the latter also named CEO of the company.

TELEFÓNICA DEL PERÚ S.A.A. AND SUBSIDIARIES

Management discussion and analysis of consolidated third quarter results for the period ended September 30, 2000

Consolidated Results

(000 Soles, except per share data)	3Q00	3Q99	3Q00/ 3Q99
Operating Revenues	1,106,327	1,104,138	0.2%
Operating Expenses (total)	760,107	707,946	7.4%
Depreciation	229,303	185,927	23.3%
Operating Result	346,220	396,192	-12.6%
Operating Margin	31.3%	35.9%	
EBITDA	575,523	582,119	-1.1%
EBITDA Margin	52.0%	52.7%	
Non-Operating Income	-79,768	-169,294	-52.9%
Net Income	144,521	109,709	31.7%
Shares Outstanding (000)	2,104,598	2,104,598	
Earnings per Share (S/.) (1)	0.07	0.05	31.7%
Earnings per ADS (US\$) (1)	0.20	0.15	31.7%

(1) Considering the shares outstanding as of September 30.

Statistical Data

	3Q00	3Q99	3Q00/ 3Q99
Total lines in service (1)	1,719,681	1,668,374	3.1%
Public telephones	77,197	55,002	40.4%
Cellular subscribers	851,231	667,063	27.6%
Cable TV subscribers	345,495	319,977	8.0%
Total traffic (Local + LD)	2,294,980	2,333,814	-1.7%
Local traffic (000 min)	2,055,180	2,079,076	-1.1%
Total LD traffic (000 min)	239,800	254,738	-5.9%

(1) Includes public telephones.

Operating Revenues

Consolidated operating revenues remained stable at S/. 1,106 million compared to S/. 1,104 million in 3Q99. Higher local and public telephony revenues (4.1% and 9.0%, respectively), cable TV revenues (25.6%) and business communications revenues (22.6%) compensated lower long distance revenues (-22.2%).

Local Telephony

Local telephony revenues increased 4.1% to S/. 428 million as a result of higher monthly rental fees revenues mainly due to an increase of lines in service.

Long Distance

Long distance revenues dropped 22.2% to S/. 164 million from S/. 211 million in 3Q99 due to a 5.9% decrease in total long distance traffic (DLD and ILD) and lower tariffs and settlement rates for international long distance calls.

Public Telephony

Public telephony revenues grew 9.0% to S/. 166 million from S/. 152 million due to an increase in the number of public telephones in service which reached 77,197 in 3Q00 compared to 55,002 in 3Q99.

Mobile Telephony

Mobile telephony revenues decreased 2.8% from S/. 201 million in 3Q99 to S/. 195 million in 3Q00. This drop is mainly explained by a lower average revenue per subscriber, which was compensated by an increase in the mobile subscriber base. As of 3Q00, the number of subscribers reached 851,231, a 27.6% increase when compared to 3Q99.

Cable Television

Cable TV revenues increased 25.6% to S/. 64 million from S/. 51 million in 3Q99, due to an 8% growth in the subscriber base (345,495 as of 3Q00) and higher advertising sales revenues.

Business Communications

Business communications revenues increased 22.6% to S/. 67 million in 3Q00 from S/. 54 million in 3Q99. This increase was mainly explained by higher data transmission and ISDN revenues.

Telephone Directories

Telephone directories revenues dropped 30.9% to S/. 9.2 million from S/. 13.4 million as a result of lower advertising sales revenues in the middle-east region of the country.

Operating Expenses

Consolidated operating expenses increased 7.4% from S/. 708 million in 3Q99 to S/. 760 million in 3Q00 mainly due to higher general and administrative expenses (14.1%) and depreciation (23.3%). These increases were partly offset by lower materials and supplies expenses (-26.2%) and provisions for uncollectibles (-3.3%).

Personnel

Personnel expenses decreased 1.9% to S/. 138 million mainly due to a reduction in the total number of employees. As of September 30, 2000, the number of employees on a consolidated basis (i.e. TDP and subsidiaries) reached 6,292, a 5.7% drop when compared to 3Q99.

General and Administrative

General and administrative expenses increased 4.1% to S/. 243 million from S/. 213 million in 3Q99. This increase is mainly explained by higher advertising and marketing expenses, as well as an increase in maintenance expenses.

Provisions for Uncollectibles

Provisions for uncollectibles decreased 3.3% to S/. 43 million, representing 3.9% of total operating revenues.

Depreciation

Depreciation rose 23.3% to S/. 229 million in 3Q00 from S/. 186 million in 3Q99. This increase is mainly explained by higher average depreciable assets.

Materials and Supplies

Materials and supplies expenses dropped 26.2% to S/. 43 million in 3Q00 from S/. 58 million in 3Q99, due to lower costs of sales of cellular equipment.

Operating Income

Operating income decreased 12.6% to S/. 346 million from S/. 396 million, due to higher operating expenses. EBITDA (earnings before interest, taxes, depreciation and amortization) reached S/. 576 million, a 1.1% drop when compared to 3Q99. Operating and EBITDA margins reached 31.3% and 52.0%, respectively, compared to 35.9% and 52.7% in 3Q99.

Non Operating Income

Non operating income reported a reduced loss of S/. 80 million in 3Q00 compared to S/. 169 million in 3Q99. This improvement was mainly explained by a monetary correction gain of S/. 35 million in 3Q00 compared to a loss of S/. 112 million in the same period a year before.

Net Income

Net income increased 31.7% to S/. 145 million compared to S/. 110 million in 3Q99. It is worth noting that in 3Q99 an early retirement expense of S/. 30 million was recorded compared to an expense of S/. 4 million in 3Q00.

Gross cash flow (net income + depreciation) increased 26.4% to S/. 374 million in 3Q00 compared to S/. 296 million in 3Q99.

Earnings per ADS reached US\$ 0.20 in 3Q00 compared to S/. 0.15 in 3Q99 (US\$ 1 = S/. 3.51).

Consolidated Balance Sheet

As of September 30, 2000, current assets dropped 6% compared to December 31, 1999, mainly due to a 26% decrease in prepaid expenses (lower tax credits). The drop in current assets was compensated by an increase in inventory (S/. 37 million).

Fixed assets increased by S/. 182 million, while the accumulated depreciation increased by S/. 321 million, which explains a 2% decrease in net fixed assets.

Current liabilities reached S/. 4,479 million in 3Q00 compared to S/. 3,176 million as of December 31, 1999, while trade accounts payable showed a 37% decrease.

During 3Q00, debt was restructured on a temporary basis in order to proceed with the reorganization of the Telefónica Group into vertically-integrated global business units. Consequently, long-term debt dropped 63%, while short-term debt increased 78% compared to the debt structure as of December 31, 1999.

In nominal terms as of September 30, 2000, financial debt was S/. 4,625 million. The debt-to-equity ratio decreased to 0.92 compared to 1.05 as of December 31, 1999 due to a 9% decrease in total debt and a 3% increase in equity.

In 2000, TDP continued to participate in the local capital markets. During 3Q00, the company placed a 3-year, US\$ 35 million bond at an annual interest rate of 8.125%. In addition, in 2000 TDP has issued commercial papers as part of its Second Program: 1st issue of US\$60 million, 2nd issue of US\$80 million and 3rd issue of S/. 100 million.

TABLE 1
TELEFONICA DEL PERÚ S.A.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS IN SOLES (000) AS OF SEPTEMBER 30, 2000
(Prepared in accordance with Peruvian GAAP)

	3Q00		3Q99		Abs. Var. 3Q00 - 3Q99	% Var 3Q00 - 3Q99
		%		%		
Local Telephone Service	428,452	38.7	411,675	37.3	16,777	4.1
Long Distance	163,856	14.8	210,653	19.1	-46,797	-22.2
Public Telephones	165,713	15.0	152,025	13.8	13,688	9.0
Mobile Services	195,245	17.6	200,874	18.2	-5,629	-2.8
Cable TV	63,945	5.8	50,894	4.6	13,051	25.6
Business Communications	66,704	6.0	54,404	4.9	12,300	22.6
Telephone Directories	9,226	0.8	13,352	1.2	-4,126	-30.9
Other	13,186	1.2	10,261	1.0	2,925	28.5
Total Operating Revenues	1,106,327	100.0	1,104,138	100.0	2,189	0.2
Personnel	137,627	12.4	140,323	12.7	-2,696	-1.9
General and Administrative	243,305	22.1	213,181	19.3	30,124	14.1
Provisions	42,887	3.9	44,347	4.0	-1,460	-3.3
Depreciation	229,303	20.7	185,927	16.8	43,376	23.3
Technology Transfer and Management Fees	104,988	9.5	106,787	9.7	-1,799	-1.7
Materials and Supplies	42,826	3.9	58,017	5.3	-15,191	-26.2
Own Work Capitalized	-40,829	-3.7	-40,636	-3.7	-193	0.5
Total Operating Costs and Expenses	760,107	68.7	707,946	64.1	52,161	7.4
Operating Income	346,220	31.3	396,192	35.9	-49,972	-12.6
EBITDA	575,523	52.0	582,119	52.7	-6,596	-1.1
Other Income (Expenses)						
Interest Income	6,805	0.6	12,519	1.1	-5,714	-45.6
Interest Expenses	-102,566	-9.3	-108,426	-9.8	5,860	-5.4
Others Net	-19,318	-1.7	38,685	3.5	-58,003	-149.9
Inflation Gain (Loss)	35,311	3.2	-112,072	-10.2	147,383	-131.5
Total Other Income (Expenses)	-79,768	-7.2	-169,294	-15.3	89,526	-52.9
Early Retirement Expense	-4,481	-0.4	-29,787	-2.7	25,306	-85.0
Income Before Taxes and Participations	261,971	23.7	197,111	17.9	64,860	32.9
Workers' Participation	-31,799	-2.9	-23,624	-2.1	-8,175	34.6
Income Tax	-85,651	-7.7	-63,778	-5.8	-21,873	34.3
Net Income	144,521	13.1	109,709	9.9	34,812	31.7

TABLE 2
TELFÓNICA DEL PERÚ S.A.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET IN SOLES (000) AS OF SEPTEMBER 30, 2000
(End of Period Figures)

ASSETS					LIABILITIES AND SHAREHOLDERS' EQUITY				
	30/09/2000	30/06/2000	31/03/2000	31/12/1999		30/09/2000	30/06/2000	31/03/2000	31/12/1999
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	128,893	155,890	169,775	152,937	Accounts payable and accrued liabilities	510,238	544,374	574,720	814,488
Negociable securities	74,948	42,816	26,633	-	Other accounts payable	477,048	514,507	742,281	401,344
Accounts and notes receivable - net	842,360	906,528	929,919	887,329	Provision for severance indemnities	14,079	5,467	12,637	4,601
Other accounts receivable	292,667	325,595	286,852	281,417	Bank Loans	2,731,466	1,426,107	1,513,322	1,660,569
Inventory	137,097	132,216	131,181	100,427	Current maturities of long-term debt	68,558	214,369	107,909	82,783
Prepaid expenses	496,051	545,123	629,825	668,408	Bonds	415,272	419,460	306,623	138,914
Total Current Assets	1,972,016	2,108,168	2,174,185	2,090,518	Commercial Papers	262,446	258,566	198,362	73,784
LONG-TERM INVESTMENTS	355,069	358,521	351,084	349,544	Total Current Liabilities	4,479,107	3,382,850	3,455,854	3,176,483
PROPERTY, PLANT AND EQUIPMENT	14,499,616	14,301,116	14,129,756	14,317,989	LONG-TERM DEBT	804,705	2,365,739	2,516,267	2,609,675
Accumulated depreciation	5,593,786	5,387,272	5,191,387	5,272,959	BONDS	342,425	220,492	335,460	506,091
	8,905,830	8,913,844	8,938,369	9,045,030	GUARANTY DEPOSITS	67,418	61,246	54,472	47,838
OTHER ASSETS, net	274,134	255,803	277,103	280,383	DEFERRED EARNINGS	-	2,238	2,235	-
TOTAL ASSETS	11,507,049	11,636,336	11,740,741	11,765,475	DEFERRED TAXES	801,126	727,591	651,547	574,412
					SHAREHOLDERS' EQUITY				
					Capital stock	3,265,285	3,265,285	3,265,285	3,265,285
					Additional paid-in capital	114,294	114,294	114,294	114,294
					Legal reserve	617,611	617,611	617,611	617,611
					Retained earnings	1,015,078	878,990	727,716	853,786
					TOTAL SHAREHOLDERS' EQUITY	5,012,268	4,876,180	4,724,906	4,850,976
					TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,507,049	11,636,336	11,740,741	11,765,475

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

TABLE 3
TELFÓNICA DEL PERÚ S.A.A. AND SUBSIDIARIES
Statistical Data , end of period figures

	1Q99	2Q99	3Q99	4Q99	1Q00	2Q00	3Q00	Abs. Var. 3Q00-3Q99	3Q00/ 3Q99
FIXED-WIRE TELEPHONE SERVICE									
Local and Long Distance services									
Lines Installed	2,003,101	2,007,385	1,992,049	2,000,689	2,019,697	2,012,053	2,018,837	26,788	1.3%
New Lines in Service	57,002	24,146	24,081	14,371	11,205	5,728	-2,085	-26,166	-108.7%
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	1,719,681	51,307	3.1%
Local Traffic - Minutes (000)	2,151,917	2,101,826	2,079,076	2,133,624	2,100,546	2,158,870	2,055,180	-23,896	-1.1%
Long Distance - Minutes (000)	253,996	256,637	254,738	245,496	236,984	231,596	239,800	-14,938	-5.9%
Number of Employees (Telefónica del Perú and Subsidiaries)	6,460	6,571	6,669	5,735	6,023	6,185	6,292	-377	-5.7%
Number of Employees (Telefónica del Perú)	5,393	5,364	4,910	4,839	4,867	4,920	4,903	-7	-0.1%
Lines in Service per Employee (Telefónica del Perú)	299	306	340	349	350	349	351	11	3.2%
Digitalization Rate (%)	90	92	95	95	95	96	96	1	1.1%
Lines in Service per 100 inhabitants	6.5	6.5	6.6	6.7	6.7	6.8	6.7	0.1	1.5%
PUBLIC TELEPHONES									
Lines in Service (2)	48,094	50,561	55,002	60,789	66,881	74,443	77,197	22,195	40.4%
CELLULAR									
Subscribers	530,658	591,595	667,063	712,117	749,998	810,076	851,231	184,168	27.6%
CABLE TV									
Subscribers	309,526	313,872	319,977	327,344	333,679	341,716	345,495	25,518	8.0%

(1) Excluding Cellular Public Phones

(2) Including Cellular Public Phones