

Telefonica

**Quarterly Results
Telefónica del Perú S.A.A. and subsidiaries**

October – December 2000

Significant Events

A brief containing the most significant events that occurred since October 2000 is presented below:

Corporation's Multiple Reorganization Project

On November 17, the public deeds of incorporation of Telefónica Data Perú Holding S.A.A. and Telefónica Móviles Perú Holding S.A.A., were signed. In these companies, Telefónica del Perú S.A.A. holds a 99.9% stake.

Each of these companies has a capital of S/. 1,000 (one thousand nuevos soles), represented by the same number of shares, from which 999 belong to Telefónica del Perú S.A.A. and one belongs to Telefónica Soluciones Globales Holding S.A.C.

The Board of Telefónica Móviles Perú Holding S.A.A. is comprised of Mr. Alfonso Bustamante y Bustamante (chairman), Mr. José Ramón Vela Martínez and Mr. José Javier Manzanares Gutiérrez, who at the same time has been appointed as Chief Executive Officer.

The Board of Telefónica Data Perú Holding S.A.A. is comprised of Mr. Alfonso Bustamante y Bustamante (chairman), Mr. José Ramón Vela Martínez and Mr. Jesús Equiza Escudero, who also performs as Chief Executive Officer.

On November 22, the Board approved the Corporation's multiple reorganization project, in which the separation of the Corporation's equity into three blocks is stipulated. Two of these blocks will be transferred in the form of a spin-off to Telefónica Móviles Perú Holding S.A.A. and Telefónica Data Perú Holding S.A.A., while the third one will be separated under the simple organization form of a new corporation which will devote itself to the production of telephone directories, among other related businesses. Telefónica Data Perú S.A.C., a corporation with a capital of S/. 1,000 (a thousand nuevos soles), will merge into Telefónica Data Perú Holding S.A.A. and as a result of this merger the first one will lose its legal status.

On December 26, the General Shareholder Meetings of Telefónica del Perú S.A.A., Telefónica Móviles Perú Holding S.A.A. and Telefónica Data Perú Holding S.A.A. (currently Telefónica Data Perú S.A.C.) approved the multiple reorganization project under the following terms and conditions:

The capital stock belonging to Telefónica Móviles will amount to S/. 356,826,049 and the capital stock belonging to Telefónica Data to S/. 25,529,295. Therefore, the capital stock of Telefónica del Perú will be reduced from S/. 2,104,597,578 to S/. 1,722,245,234.

The shareholders of Telefónica del Perú S.A.A. will receive for each share of the Company:

- 0.8183252000 shares of Telefónica del Perú S.A.A.
- 0.0121298619 shares of Telefónica Data Perú Holding S.A.A.
- 0.1695457872 shares of Telefónica Móviles Perú Holding S.A.A.

The assets and liabilities will be transferred by the Corporation according to their book value on January 1, 2001.

On December 26, the public deed of incorporation of Telefónica Publicidad e Información Perú S.A.C., a corporation created thanks to the contribution of Telefónica del Perú as a result of its simple reorganization and the contribution of Telefónica Soluciones Globales Holding S.A.C., was signed.

The new corporation holds a capital stock of S/. 78,500,000 represented by the same number of shares, from which 78,499,999 belong to Telefónica del Perú and one to Telefónica Soluciones Globales.

The Board of Telefónica Publicidad e Información Perú is comprised of Mr. Alfonso Bustamante y Bustamante (chairman), Mr. José Ramón Vela Martínez and Mr. Germán Gálvez Toullier, who also performs as Chief Executive Officer of this company.

Partial amendment of the organizational structure

On November 22, the Board approved the following changes made in the organizational structure:

- The Managing Director of Internal Control, which will have the Management of Auditing, as well as Supervision and Control Processes as dependant units, was created. Mr. Bernardo-F Santos Alvarez was appointed to be responsible for the new position.
- The Interconnection Management position, which will report to the Managing Director of Network was created, and Mr. Luis Montes Bazalar was appointed to this position.
- The position of Managing Director of Commercial was eliminated.
- The name of the position of Managing Director of Business Communications was changed to Managing Director of Business Customers, and it will report to the Chief Executive Officer. Mr. Javier Reguero Naredo was appointed to this position. Mr. Cesar Palacios Butrón was appointed as Business Communications Manager and Mr. José Domingo Cariola as Manager of Distribution Channels. The last two positions will report to the Managing Director of Business Customers.
- The Board approved that the Managing Director of Residential Customers reports to the Chief Executive Officer. In addition, Mr. Fernando Salazar Barba Gelata was appointed Medium-Size Residential Customer Manager, Mr. Vicente Ricardo Arnaiz Muñoz as Mass Residential Manager, Mr. José Luis García Tello as Commercial Support Manager, Mr. José María Cano López as Billing Manager, Mr. Manuel Plaza Martín as Technical Support Manager and Mr. Francisco Javier Tesa Romeo as Rural Telephony Manager. These managers will report to the Managing Director of Residential Customers.

Authorization for the negotiation of credits and issuance of bonds

On November 22, the Board authorized the negotiation of credits for up to US\$ 500 million or its equivalent in other currencies for the repayment of loans in order to obtain better terms than those for the outstanding loans to be pre-paid.

On December 14, the Board approved the issuance of bonds for up to US\$ 150 million or its equivalent in local currency in order to be placed in the domestic market and negotiated in a local exchange.

End of the strike and signing of the Collective Bargaining Agreement

The strike that the unions began on November 15 ended on December 7. In addition, as a result of the negotiations between the Company and the Unions, a new Collective Bargaining Agreement was signed. This agreement will apply for the period between December 1, 1999 and November 30, 2003.

Incorporation of a new company

On December 20, Telefónica Multimedia S.A.C. and Telefónica Soluciones Globales Holding S.A.C. affiliates signed the public deed of incorporation of "Media Network S.A.C." This company has a capital of S/. 1,000 (one thousand nuevos soles), represented by the same number of shares, from which 999 belong to Telefónica Multimedia and one to Telefónica Soluciones Globales. The Board of this corporation is comprised of Mr. Alfonso Bustamante y Bustamante, Mr. José Ramón Vela Martínez, Mr. Javier Reguero Naredo, Mr. Antonio Piña López, Mr. Carles Villarubí Carrió and Mr. Santiago Antúnez de Mayolo Morelli. Werner Shuler Schutz was appointed as Chief Executive Officer.

TELEFÓ NICA DEL PERÚ S.A.A. AND SUBSIDIARIES

Management discussion and analysis of the consolidated results of the fourth quarter ended on December 31, 2000

Operating Revenues

Consolidated operating revenues in 4T00 increased 1.4% to S/. 1,145 million compared to S/. 1,129 million during the same period of the previous year, as a result of the growth in Basic Telephony (+6.8%), Public Telephony (+17.7%) and Cable TV (+10.7%), which offset the fall in the Long Distance (-14.7%) and Mobile Telephony (-13%).

Revenues from **Basic Telephony** grew 6.8% compared to 4T99, due to higher revenues from monthly rental fees (+7.1%) as a result of the increase of the average lines in service, while revenue growth in **Public Telephony** (+17.7%) is explained by an increase of 33.7% in the number of public telephones. The fall in the settlement rates and **Long Distance** tariffs produced a revenue decrease of this business of 14.7% in 4Q00 compared to the same period in 1999.

Revenues from **Mobile Services** dropped 13% in spite of the increase of 26.1% in the total number of subscribers mainly due to the fall in the traffic from the fixed network to the mobile one. On the other hand, an increase of 6.8% in the number of subscribers of **Cable TV** resulted in an increased of revenues of 10.7%. **Business Communications** registered an increase of 4.7% in its businesses due to higher sales of data transmission. **Telephone Directories** reported sales refunds of S/. 46 thousand.

Operating expenses

Consolidated operating expenses decreased by 5.0% from S/. 784 million to S/. 745 million mainly due to the reductions in Management Fee expenses. Additionally, the decrease of the Personnel (26.3%) and Provisions (60.5%) expenses contributed to this reduction.

In accordance with the terms of the management agreement with Telefónica Internacional, **Management Fee** expenses were reimbursement for a total of S/. 12.5 million in the 4T00 compared to an expense of S/. 103 million in the 4T00, as a result of the loss reported in the 4T00. **Personnel** expenses fell 26.3% due to bonus allowances that in 1999 were totally registered in the 4T99 and in 2000 were distributed throughout the year. **General and Administrative** expenses decreased 4.5% due to the reduction of interconnection expenses as a result of negotiations with domestic operators. Likewise, the amount of **Provisions** decreased by 60.5% as a result of the measures adopted for bad debt control.

However, **Depreciation** increased 76.8% mainly as a result of the capitalization of Work in Progress. Likewise, **Materials and Supplies** expenses increased 33.6% due to the higher cost of sales of mobile equipment.

Operating Profit

As a result of the increase in revenues and the decrease of expenses, the operating profit grew 15.9% from S/. 345 million to S/. 400 million. Excluding the effect of the Management Fee expenses, the operating result fell 13.5%. The EBITDA reached S/.757 million, a 38.4% increased when compared to the same period the year before, as a result of the greater depreciation in 4T00. If we exclude the Management Fee, the EBITDA grows 14.6%.

Non-operating result

The non-operating result registered a loss of S/. 456 million compared to a profit of S/. 86 million in 4T99. As a result of the reorganization process that is being performed within the Telefónica Group and the technological changes in the telecommunications sector during 2000, the Company evaluated the realization of certain assets and has taken provisions that explain the loss recorded in 4T00.

Net Profit

As a result of the non-recurrent losses registered in the non-operating result, the net profit in 4T00 was negative S/. 131 million, compared to a profit of S/. 274 million in 4T99. On a per share basis, a loss of S/. 0.06 in 4T00 and a profit of S/. 0.13 in 4T99 were reported.

Consolidated Balance Sheet

Accounts receivable decreased S/. 57 million in 4Q00 compared to 4Q99 primarily due to a reduction in the average number of days outstanding from 77 to 66 days. Improvements in collections management is the resulting product of strict bad debt control policies implemented since 1999 and a change in marketing strategies which has emphasized pre-paid products in the basic telephony product mix. As of 4Q00, pre-paid lines represented 15% of the total number of lines in service compared to 12% in the same period in 1999. The current ratio (excluding cash and short term financial liabilities) decreased slightly to 1.49 in 4Q00 compared to 1.59 times in 4Q99.

The accumulated depreciation increased by S/. 731 million and reached S/. 6,051 million in 4Q00, representing a 14% growth rate compared to a similar period in 1999. In 4Q00, assets reached S/. 14,952 compared to S/. 14,443 million in 4Q99, an increase of 3.5% due to new investments.

Total debt continues to fall as a result of improved cash flow generation and a drop in capital expenditures. Total capex decreased to US\$ 257 million in 2000 compared to US\$ 317 million in 1999. Consequently, total debt decreased to S/. 4,406 million in 4Q00 from S/. 5,116 million in 4Q00. This reduction resulted in an improvement of the debt-to-equity ratio that decreased to 1.35 in 4Q00 compared to 1.42 in 4Q99.

TABLE 1
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS IN ADJUSTED SOLES (000) AS OF DECEMBER 31, 2000
(Prepared In Accordance With Peruvian GAAP)

	4Q99		4Q00		Abs. Var.	% Var.	3Q00		Var. Abs.	Var. %	1999		2000		Abs. Var.	2000/
		%		%	4Q99 - 4Q00	4Q99 - 4Q00			4Q00 - 3Q00	4Q00 - 3Q00					2000-1999	1999
Local Telephone Service	426.544	37,8	455.383	39,8	28.839	6,8	432.290	38,7	23.093	5,3	1.678.641	37,1	1.764.108	38,3	85.467	5,1
Long Distance	193.706	17,2	165.187	14,4	(28.519)	(14,7)	154.637	13,9	10.550	6,8	815.742	18,0	664.227	14,4	(151.515)	(18,6)
Public Telephones	160.504	14,2	188.971	16,5	28.467	17,7	167.197	15,0	21.774	13,0	598.706	13,2	670.709	14,6	72.003	12,0
Mobile Services	210.533	18,7	183.265	16,0	(27.268)	(13,0)	196.994	17,6	(13.729)	(7,0)	806.972	17,8	800.345	17,4	(6.627)	(0,8)
Cable TV	56.688	5,0	62.743	5,5	6.055	10,7	64.518	5,8	(1.775)	(2,8)	212.450	4,7	253.076	5,5	40.626	19,1
Business Communications	65.164	5,8	68.215	6,0	3.052	4,7	74.173	6,6	(5.957)	(8,0)	241.105	5,3	283.559	6,2	42.454	17,6
Telephone Directories	3	0,0	(46)	(0,0)	(49)	(1.633,3)	9.308	0,8	(9.354)	(100,5)	117.773	2,6	98.247	2,1	(19.526)	(16,6)
Other	15.699	1,4	21.051	1,8	5.351	34,1	17.122	1,5	3.928	22,9	56.045	1,2	72.118	1,6	16.073	28,7
Total Operating Revenues	1.128.841	###	1.144.769	###	15.928	1,4	1.116.239	###	28.530	2,6	4.527.434	###	4.606.389	###	78.955	1,7
Personnel	181.277	16,1	133.591	11,7	(47.686)	(26,3)	138.861	12,4	(5.270)	(3,8)	631.406	13,9	585.245	12,7	(46.161)	(7,3)
General and Administrative	259.111	23,0	247.407	21,6	(11.704)	(4,5)	245.485	22,0	1.922	0,8	926.562	20,5	1.023.607	22,2	97.045	10,5
Provisions	43.620	3,9	17.241	1,5	(26.379)	(60,5)	43.272	3,9	(26.031)	(60,2)	191.370	4,2	178.353	3,9	(13.017)	(6,8)
Depreciation	202.142	17,9	357.330	31,2	155.188	76,8	231.358	20,7	125.972	54,4	760.976	16,8	1.019.841	22,1	258.865	34,0
Technology Transfer and Management Fees	102.836	9,1	(12.537)	(1,1)	(115.373)	(112,2)	105.928	9,5	(118.465)	(111,8)	435.473	9,6	309.385	6,7	(126.088)	(29,0)
Materials and Supplies	32.538	2,9	43.479	3,8	10.941	33,6	43.209	3,9	270	0,6	151.945	3,4	159.945	3,5	8.000	5,3
Own Work Capitalized	(37.892)	(3,4)	(41.766)	(3,6)	(3.874)	10,2	(41.194)	(3,7)	(572)	1,4	(152.984)	(3,4)	(161.308)	(3,5)	(8.324)	5,4
Total Operating Costs and Expenses	783.632	69,4	744.745	65,1	(38.887)	(5,0)	766.919	68,7	(22.174)	(2,9)	2.944.748	65,0	3.115.068	67,6	170.320	5,8
Operating Income	345.209	30,6	400.024	34,9	54.815	15,9	349.320	31,3	50.704	14,5	1.582.686	35,0	1.491.321	32,4	(91.365)	(5,8)
EBITDA	547.351	48,5	757.354	66,2	210.003	38,4	580.678	52,0	176.676	30,4	2.343.662	51,8	2.511.162	54,5	167.500	7,1
Other Income (Expenses)																
Interest Income	5.102	0,5	13.260	1,2	8.158	159,9	6.867	0,6	6.393	93,1	35.419	0,8	34.403	0,7	(1.016)	(2,9)
Interest Expenses	(108.167)	(9,6)	(86.996)	(7,6)	21.171	(19,6)	(103.485)	(9,3)	16.489	(15,9)	(415.478)	(9,2)	(396.498)	(8,6)	18.980	(4,6)
Others Net	183.383	16,2	(396.748)	(34,7)	(580.131)	(316,3)	(19.491)	(1,7)	(377.257)	1.935,5	215.234	4,8	(398.001)	(8,6)	(613.235)	(284,9)
Inflation Gain (Loss)	5.859	0,5	14.305	1,2	8.446	144,2	35.626	3,2	(21.321)	(59,8)	(197.251)	(4,4)	150.034	3,3	347.285	(176,1)
Total Other Income (Expenses)	86.177	7,6	(456.179)	(39,8)	(542.356)	(629,4)	(80.483)	(7,2)	(375.696)	466,8	(362.076)	(8,0)	(610.062)	(13,2)	(247.986)	68,5
Early Retirement Expense	(26.068)	(2,3)	(11.105)	(1,0)	14.963	-	(4.521)	(0,4)	(6.584)	145,6	(56.099)	(1,2)	(15.626)	(0,3)	40.473	(72,1)
Income Before Taxes and Participations	405.318	35,9	(67.260)	(5,9)	(472.578)	(116,6)	264.316	23,7	(331.576)	(125,4)	1.164.511	25,7	865.633	18,8	(298.878)	(25,7)
Workers' Participation	(35.405)	(3,1)	(17.334)	(1,5)	18.071	(51,0)	(32.082)	(2,9)	14.748	(46,0)	(121.354)	(2,7)	(123.433)	(2,7)	(2.079)	1,7
Income Tax	(95.597)	(8,5)	(46.340)	(4,0)	49.257	(51,5)	(86.416)	(7,7)	40.076	(46,4)	(327.654)	(7,2)	(332.532)	(7,2)	(4.878)	1,5
Net Income	274.316	24,3	(130.934)	(11,4)	(405.250)	(147,7)	145.818	13,1	(276.752)	(189,8)	715.503	15,8	409.668	8,9	(305.835)	(42,7)

TABLE 2

TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET IN ADJUSTED SOLES (000) AS OF DECEMBER 31, 2000 (1)

(End of Period Figures)

ASSETS						LIABILITIES AND SHAREHOLDERS' EQUITY					
	4Q00	3Q00	2Q00	1Q00	4Q99		4Q00	3Q00	2Q00	1Q00	4Q99
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	11.888	130.053	157.275	171.271	154.274	Overdrafts	4.112	0	0	0	0
Negotiable securities	58.045	75.623	43.197	26.868	0	Accounts payable and accrued liabilities	764.986	514.830	549.211	579.786	821.611
Accounts and notes receivable - net	838.594	849.941	914.582	938.116	895.088	Other accounts payable	434.516	481.341	519.078	748.824	404.846
Other accounts receivable	271.693	295.301	328.488	289.381	283.878	Provision for severance indemnities	6.996	14.206	5.516	12.748	4.641
Inventory	141.457	138.331	133.390	132.337	101.306	Bank Loans	2.084.217	2.756.049	1.438.778	1.526.662	1.675.093
Prepaid expenses	501.579	500.515	549.966	635.377	674.257	Current maturities of long-term debt	69.218	69.175	216.274	108.861	83.505
Total current assets	1.823.256	1.989.764	2.126.898	2.193.350	2.108.803	Bonds	282.555	419.009	423.187	309.325	140.130
LONG-TERM INVESTMENTS	360.047	358.265	361.706	354.179	352.599	Commercial Papers	215.980	264.808	260.863	200.110	74.431
PROPERTY, PLANT AND EQUIPMENT	14.952.203	14.630.113	14.428.174	14.254.308	14.443.219	Total current liabilities	3.862.580	4.519.418	3.412.907	3.486.316	3.204.257
Accumulated depreciation	6.050.519	5.644.130	5.435.135	5.237.148	5.319.079	LONG-TERM DEBT	1.340.039	811.947	2.386.757	2.538.447	2.632.499
Write-off Provision	-83.233	0	0	0	0	BONDS	414.635	345.507	222.451	338.417	510.517
OTHER ASSETS, net	380.397	276.601	258.075	279.546	282.834	GUARANTY DEPOSITS	72.501	68.025	61.790	54.953	48.257
TOTAL ASSETS	11.382.151	11.610.613	11.739.718	11.844.235	11.868.376	DEFERRED EARNINGS	0	0	2.258	2.255	0
						DEFERRED TAXES	854.911	808.336	734.056	657.290	579.437
						SHAREHOLDERS' EQUITY					
						Capital stock	3.293.845	3.293.845	3.294.845	3.293.845	3.293.845
						Additional paid-in capital	115.294	115.294	115.294	115.294	115.294
						Legal reserve	658.769	623.013	623.013	623.013	623.013
						Retained earnings	769.577	1.025.228	886.347	734.405	861.257
						TOTAL SHAREHOLDERS' EQUITY	4.837.485	5.057.380	4.919.499	4.766.557	4.893.409
						TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11.382.151	11.610.613	11.739.718	11.844.235	11.868.376

(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	3Q00	4Q00	4Q00-4Q99	4Q00/ 4Q99
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	2.018.837	2.021.689	21.000	1,0
New Lines in Service	57.002	24.146	24.081	14.371	11.205	5.728	(2.085)	(6.623)	(20.994)	(146,1)
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	1.719.679	1.717.118	28.499	1,7
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	2.154.646	21.022	1,0
Long Distance - Minutes (000)	253.996	256.637	254.738	245.496	236.984	231.596	239.800	254.204	8.708	3,5
Number of Employees (Telefonica del Perú and Subsidiaries)	6.460	6.571	6.669	5.735	6.023	6.185	6.292	6.330	595	10,4
Number of Employees (Telefónica del Perú)	5.393	5.364	4.910	4.839	4.867	4.920	4.903	4.875	36	0,7
Lines in Service per Employee (Telefónica del Perú)	299	306	340	349	350	349	351	352	3	0,9
Digitalization Rate (%)	90	92	95	95	95	96	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	6,7	-	-
PUBLIC TELEPHONES										
Lines in Service (2)	48.094	50.561	55.002	60.789	66.881	74.443	77.197	81.253	20.464	33,7
CELLULAR										
Subscribers	530.658	591.595	667.063	712.117	749.998	810.076	851.231	898.173	186.056	26,1
CABLE TV										
Subscribers	309.526	313.872	319.977	327.344	333.679	341.716	345.495	349.447	22.103	6,8

(1) Excluding Cellular Public Phones

(2) Including Cellular Public Phones