

Telefonica

Quarterly Results
Telefónica del Perú S.A.A. and Subsidiaries

January - March 2007

Significant Events

A summary containing the most significant events since January 2007 is presented below:

1. On February 12, 2007, the Board of Directors:
 - Approved the individual and consolidated financial statements related to the fourth quarter 2006.
 - Delegated power to Company's employees allowing them to establish the date to be hold the Extraordinary Class B Shareholders' Meeting and the Annual Shareholders' Meeting; establish the corresponding agenda; formulate the proposals and, in general, take the necessary or convenient measures aiming to proceed normally in its development.
2. On March 23, 2007, the Annual Shareholders' Meetings and the Extraordinary class B Shareholders' Meeting took the following resolutions:

Annual Shareholders' Meeting

- Approved the individual and consolidated audited financial statements for the fiscal 2006.
- Approved that the whole net income, less the legal reserve, be allocated on the accumulated earnings line for its later application. Delegated power to Board of Directors who, judging its convenience and after analyzing the Company's financial situation: (i) decide about the destination of accumulated earnings which could be used to pay the dividends in one or more steps, and for this purpose they are authorized to decide the amount as well as any other required aspect (ii) set a provisory dividend based on the definitive one to be approved by the Annual Shareholders' Meeting to be held in 2008 regarding the fiscal year 2007.
- Delegated power to the Board of Directors choosing the external auditors for the fiscal year 2007.
- Set the Directors' remuneration on the same amount for the current fiscal year.
- Changed the article 33 of the Company's Bylaws, establishing that the Board of Directors should meet at least quarterly.

Extraordinary Class B Shareholders' Meeting

- Appointed as alternate directors José María Álvarez Pallette López, Julia María Morales Valentín and Ernesto López Mozo.

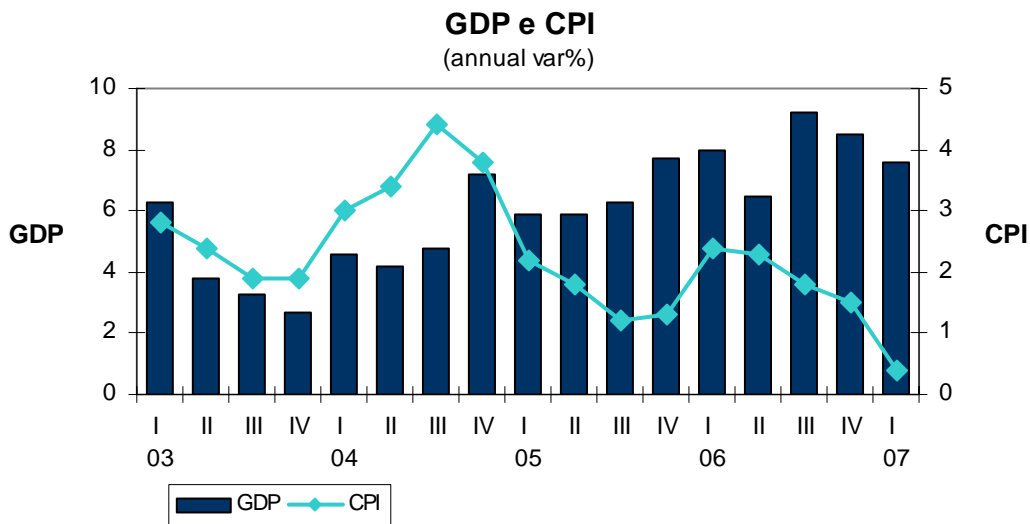
Discussion and analysis of the first quarter results ended on March 31, 2007.

Its recommended the reading of this report along with the corresponding financial statements and their notes, presented at the same time, since they form integral part of this document and contain complementary information.

Economic Environment

During the first quarter 2007, the Peruvian economy kept its economic dynamism, since the Gross Domestic Product (GDP) rose by 7,6% over the first quarter 2006. Continuing with the trend of the last year, the sectors that showed more growth were civil architecture, commerce and non-primary manufacture. Regarding expenses, it is important to highlight internal demand and, in particular, private investment.

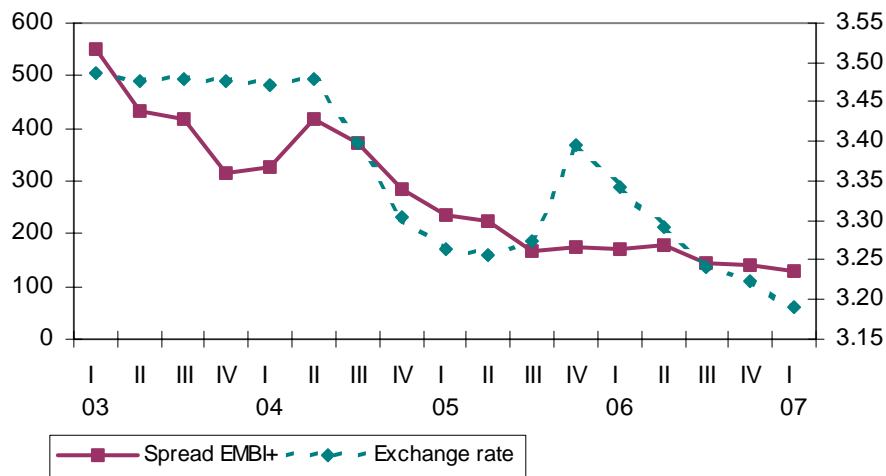
Consumer Price Index variations recorded moderated rises in the first quarter (0,62%), fundamentally by seasonal factors such as beginning of school period and supply problems of some foods. Over the last 12 months, the inflation rate (0,25%) stood below the lower range of the goal of 2% recently changed by the Central Bank (BCR).



In the last months, the US dollar faced strong downward pressures due to increase of foreign currency caused by higher exports level and flows of speculative financial investment. Also, the exchange rate appreciated 0,4% in the first quarter 2007, and analysts expect that this trend goes on for more few months. On this scenario and looking forward, the BCR made some US dollar purchases for US\$1.152 billion, increasing Net International Reserved to US\$18,427 billion at the end of March, level 31% higher when compared to 1Q06

Finally, the Lima Stock Exchange has Kept high yields of when compared to other Latin America stock exchanges. Thus, its General Index shows a yield 40% during the 1Q07. On the other hand, the country risk, measured by the EMBI+, fell 10 b.p. in the first quarter 2007, in line with the regional trend.

Exchange Rate and EMBI+
(quarterly average)



Competitive Environment

During the first quarter 2007, Telefónica del Perú has worked with success in the implementation of the agreement established with the government in last December.

Until this date, it was accomplished in its totality, or presented in advanced stage, the accomplish (in accordance with the expected) of each one of the agreements established. Among agreements can be highlighted the tariff reduction up to 29% in main basic telephony plans; enlargement of the period for usage of pre-paid cards (Cards 147 and Holaperú) that now reach 180 days, reduction of public telephony tariffs; implementation of tariff plans per second and; investments of US\$90 million to expand services, in line with the Telefónica Group's commitment of invest US\$1 billion until the year 2010 in Peru.

The Peruvian Telecommunication market has been increasingly competitive. Telmex and Americatel have been focused in creating bundle of products (local and long distance telephony together with Broadband of different modalities).

In Subscription TV market, the Telmex Group acquired in 1Q07, Cable Express to its incursion into the residential market. Other competitors that also are presented in this specific market are DirecTV and the Colombian corporation ISA in the residential side.

Operating Revenues¹

The Company's **operating revenues** for 1Q07 reached S/. 1, 114 million, a 1,0% decrease over 1Q06. This result is mainly due to lower revenues from Public and Rural Telephony (22,1%), Local Telephony (3,7%) and Data and Information Technology (4,1%), which could not be offset by the increase of Internet revenues (26,1%), Subscription TV (17,0%), Long Distance (3,9%) and others (14,3%).

The Company continues to develop its commercial strategy based on market penetration through the offer of services: basic telephony, broadband and Subscription TV products to attend specific needs of each market segment, as well as through campaigns to keep customer loyalty. Thus, in the

¹ In May 2006, the merger between Telefónica Empresas S.A.A. and Telefónica del Perú S.A.A. was effective as such approved in the General Shareholders' Meeting of 24th April, 2006.

end of 1Q07, the total number of clients in service shows an annual growth for the last 12 months of (i) 5,9% in fixed telephony (ii) 38,3% in broadband, as a consequence of strong growth in Speedy's clients, (iii) 18,2% in Subscription TV with the incorporation of satellite technology for those clients who live in remote places, and (iv) 3,8% in Public and Rural Telephony, despite the increase of illegal installations which has resulted in a significant number of lines disconnected.

As for the performance of the businesses, **local telephony** revenues for 1Q07 decreased by 3,7% over 1Q06, reaching S/. 398 million. This reduction can be chiefly explained by the 10,2% lower of fixed rate revenues due to a fall of 12,4% in average tariff - caused by implementation of the Productivity Factor and the execution of agreements established with the Government. Besides, there was a 17,1% reduction in the invoiced traffic from fixed-to-fixed due to the drop in average tariff, caused by implementation of the Productivity Factor. On the other hand, there were higher revenues in Fixed-Mobile Traffic of 13,4%, boost by growth in traffic of 18,3%. In the same manner, it is important to comment the 6,0% year over year increase of the plant in service (135 thousand net lines in the 1Q07) that reached 2,4 million of accesses, partially offsetting these negative impacts.

Long Distance revenues in the 1Q07 totaled S/. 98 million, showing a 3,9% increase over 1Q06. The increase of 9.8% in International Long Distance (ILD) revenues are explained by an higher outgoing traffic; and was offset by the 0,1% lower National Long Distance (NLD) revenues. It is important to highlight that the high competitive environment has been impacting the NLD market, mainly in the pre-paid cards entry.

On the other hand, **Public and Rural Telephony** revenues in the 1Q07 reached S/. 197 million, 22.1% lower than those recorded in the 1Q06. The reduction, with a particularly impact in Long Distance service, is mainly due to the substitution effect from mobile telephony, increase in informal "locutorios" and the competitive environment. This decrease occurs despite the 3.8% y-o-y climb of the plant in service, and 9.1% y-o-y increase in revenues of rural telephony.

Regarding **Subscription TV** business, revenues totaled S/. 99 million in the 1Q07, a 17,0% y-o-y increase. This growth is mainly due to a larger plant in service of traditional cable (531 thousand accesses by the end of March/2007), which climbed 11,8% y-o-y, and the new satellite television DTH (30 thousand accesses by the end of March/2007) as a result of the commercial effort carried out to gain new clients, as well as the execution of a permanent program against illegal installations.

Internet revenues totaled S/. 154 million in the 1Q07, a 26,1% increase over the 1Q06. This raise is chiefly explained by 38,3% growth in broadband plant that reaches 497 thousand accesses.

Revenues from **Data and Information Technology** reached S/. 68 million in the 1Q07, a decrease of 4,1% over the 1Q06. Lower revenues of Digired circuits that recorded a drop of 39,9% chiefly explain this result.

Operating Expenses

Operating expenses in the 1Q07 decreased by 3,5% over the 1Q06, reaching S/. 934 million, which represents a drop of S/. 34 million, fundamentally due to a drop of S/. 78 million in depreciation and amortization expenses, supplies expenses in S/. 1 million and bad debt provision in S/. 1 million. These expenses reductions were partially offset by the increase of S/. 19 million in interconnection and carrier settlements, S/. 12 million in general and administrative expenses, S/. 13 million in other net revenues and expenses and S/. 2 million in personnel expenses

Operating Result

Operating result in the 1Q07 reached S/. 180 million, which represents an increase of 14,3% over the 1Q06, result of higher revenues from Internet, Subscription TV and the entry of others. In

addition, the Company recorded lower expenses (S/. 34 million), which has allowed to offset lower revenues from Public and Local Telephony, Data and Information Technology and higher record of other net revenues and expenses (S/. 13 million), as result of higher legal and tax contingencies.

Non-Operating Results

In the 1Q07, non-operating loss showed a reduction of S/. 9 million over the 1Q06, due to a lower net financial expenses (S/. 6 million) and participation in the results of affiliates (S/. 2 million).

Net Result

The net result reached S/. 81 million in the 1Q07, much higher than the net result of S/. 48 million reported in the 1Q06. Such increase is explained by the better operating and non-operating result.

Consolidated Balance Sheet

The current asset registered at the end of 1Q07 S/. 1,412 million, which represented an increase of S/. 85 million with respect to 4Q06. Also, current liabilities closed at S/. 1,857 million, a reduction of S/. 333 million with respect to 4Q06. As such, the liquidity level at the end of 1Q07, measured by the current assets over current liabilities ratio, reached 0,76, higher than the 0,61 recorded in the 4Q06.

Also, in 1Q07 the net asset reached S/. 4,478 million, a reduction of S/. 171 million compared to 4Q06 due to higher depreciation.

Furthermore, total debt slightly increased from S/. 2,575 million in 4Q06 to S/. 2,642 million in 1Q07, mainly due to the new bonds issuances. Finally, the Shareholders' Equity increased S/. 85 million over 4T06 and reached S/. 3,146 million in 1Q07.

TABLE 1
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES^{1/}
CONSOLIDATED INCOME STATEMENTS IN ADJUSTED SOLES (000) AS OF MARCH 31, 2007
(Prepared In Accordance With Peruvian GAAP)

	1Q06	%	1Q07	%	Abs. Var. 1Q07-1Q06	% Var. 1Q07-1Q06
Total Operating Revenues	1,125,986	100.0	1,114,445	100.0	(11,541)	(1.0)
Local Telephone Service	412,986	36.7	397,789	35.7	(15,197)	(3.7)
Public Telephones	253,183	8.4	197,329	8.8	3,694	3.9
Internet	122,436	22.5	154,392	17.7	(55,854)	(22.1)
Subscription TV	84,742	7.5	99,106	8.9	14,364	17.0
Long Distance	94,129	6.3	97,823	6.1	(2,938)	(4.1)
Business Communications	71,382	10.9	68,444	13.9	31,956	26.1
Other	87,128	7.7	99,562	8.9	12,434	14.3
Total Operating Costs and Expenses	968,146	86.0	934,034	83.8	(34,112)	(3.5)
Interconnection Expenses	150,552	13.4	169,302	15.2	18,750	12.5
Personnel	111,253	9.9	113,751	10.2	2,498	2.2
General and Administrative	281,501	25.0	293,636	26.3	12,135	4.3
Depreciation and Amortization	364,758	32.4	286,845	25.7	(77,913)	(21.4)
Management Fee	14,847	1.3	13,154	1.2	(1,693)	(11.4)
Materials and Supplies	24,480	2.2	23,288	2.1	(1,192)	(4.9)
Provisions	14,584	1.3	13,212	1.2	(1,372)	(9.4)
Own Work Capitalized	(6,933)	(0.6)	(5,539)	(0.5)	1,394	(20.1)
Others Net	13,104	1.2	26,385	2.4	13,281	101.4
Operating Income	157,840	14.0	180,411	16.2	22,571	14.3
Operating Income before Others Net	170,944	15.2	206,796	18.6	35,852	21.0
Interest Income	6,400	0.6	8,815	0.8	2,415	37.7
Interest Expenses	(48,777)	(4.3)	(45,059)	(4.0)	3,718	(7.6)
Inflation Gain (Loss)	(5,344)	(0.5)	(4,934)	(0.4)	410	(7.7)
Results participation of affiliates	(770)	(0.1)	1,653	0.1	2,423	(314.7)
Non Operating Results	(48,491)	(4.3)	(39,525)	(3.5)	8,966	(18.5)
Income Before Taxes and Participations	109,349	9.7	140,886	12.6	31,537	28.8
Workers' Participation	(16,164)	(1.4)	(16,060)	(1.4)	104	(0.6)
Income Tax	(44,692)	(4.0)	(43,781)	(3.9)	911	(2.0)
Net Income	48,493	4.3	81,045	7.3	32,552	67.1

1/ Starting November 2005 Telefónica del Peru financial statements incorporate the results of Telefónica Empresas S.A.A. reflecting the purchase of 97.86% of the stock of Telefónica Empresas in October of 2005. The merger of aforementioned companies was effective on May 2006. In addition, on December 30th 2006, the merger between Telefónica del Perú S.A.A. and Telefónica Perú Holding S.A.C. was implemented. For comparison purposes the financial statements of Telefónica del Peru S.A.A. have been restructured as if the merger had occurred on the 1st of January of 2005.

TABLE 2
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES^{1/}
CONSOLIDATED BALANCE SHEET IN NUEVOS SOLES (000) AS OF MARCH 31, 2007
(Prepared In Accordance With Peruvian GAAP)

ASSETS						LIABILITIES AND SHAREHOLDERS' EQUITY					
	1Q07	4Q06	3Q06	2Q06	1Q06		1Q07	4Q06	3Q06	2Q06	1Q06
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and Banks	190,406	131,080	316,860	733,199	464,007	Overdrafts	11,115 0	11,207	10,095	5,658	8,670
Negotiable securities	-	-	34,963	10,984	48,170	Accounts payable	450,191 0	581,090	515,680	491,083	451,732
Accounts receivable - net	639,540	660,577	701,453	670,744	651,315	Other accounts payable	695,871 0	793,964	759,086	751,773	802,696
Affiliated Company Loans	350,020	351,340	-	-	-	Provision for severance indemnities	12,606 0	5,605	12,223	5,580	12,305
Other accounts receivable	78,409	48,811	81,671	85,366	128,212	Bank Loans ^{2/}	102,922 0	177,511	175,516	237,890	236,134
Materials and supplies	46,348	48,358	42,215	38,479	41,667	Current portion of long-term debt ^{2/}	397,988 0	387,423	410,705	408,867	123,322
Prepaid taxes and expenses and others	107,017	86,497	58,944	53,172	34,656	Current portion of bonds ^{2/}	186,540 0	233,638	494,373	524,958	492,479
						Commercial Papers	0 0	0 0	0 0	0	25,000
Total current assets	1,411,740	1,326,663	1,236,106	1,591,944	1,368,027	Total current liabilities	1,857,233 0	2,190,438	2,377,678	2,425,809	2,152,338
LONG-TERM INVESTMENTS	13,715	10,855	11,011	10,188	11,907	LONG-TERM DEBT ^{2/}	404,267 0	403,568	384,038	354,821	535,311
DEFERRED CHARGES	34,425	38,817	31,920	32,678	33,438	BONDS ^{2/}	1,549,964 0	1,372,467	1,167,005	1,069,685	1,117,628
						GUARANTY DEPOSITS AND OTHERS	65,854 0	65,724	65,402	65,269	76,793
PROPERTY, PLANT AND EQUIPMENT	16,476,282	16,416,922	16,280,182	16,127,608	16,025,628	DEFERRED TAXES	1,039,429 0	1,110,327	1,197,329	1,261,430	1,329,747
Accumulated depreciation	(11,998,698)	(11,768,833)	(11,464,758)	(11,234,004)	(10,975,249)	SHAREHOLDERS' EQUITY					
	4,477,584	4,648,089	4,815,424 0	4,893,604 0	5,050,379	Capital stock	2,591,451 0	2,727,843	2,727,843	3,322,601	3,322,208
Write-off Provision	(23,654)	(23,654)	(18,329) 0	(18,363) 0	(18,363)	Additional Capital	4,964 0	4,964	4,964	4,964	3,815
	4,453,930	4,624,435	4,797,095	4,875,241	5,032,016	Treasury Shares	76,206 0	58,603	58,603	58,603	58,603
OTHER ASSETS, net	2,149,077	2,202,733	2,194,390 0	2,248,116 0	2,295,254	Legal reserve	249,407 0	249,407 0	0 0	0 0	0
						Freely distributable Reserves	-2,773 0	-6,889	-5,741	-3,353	-3,313
TOTAL ASSETS	8,062,887	8,203,503	8,270,522	8,758,167	8,740,642	Other reserves	226,885 0	27,051	293,401	198,338	147,512
						Retained earnings					
						TOTAL SHAREHOLDERS' EQUITY	3,146,140 0	3,060,979	3,079,070	3,581,153	3,528,825
						TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,062,887 0	8,203,503	8,270,522	8,758,167	8,740,642

^{1/} Starting on May 2006, Telefónica del Peru financial statements incorporate the results of Telefónica Empresas S.A.A. according to the merger approved on May 2006. In addition, on December 30th 2006, the merger between Telefónica del Perú S.A.A. and Telefónica Perú Holding S.A.C. was implemented. For comparison purposes the financial statements of Telefónica del Peru S.A.A. have been restructured as if the merger had occurred on the 1st of January of 2005.

Starting January 1, 2005 and in accordance with the Consejo Normativo de Contabilidad N°031-2004, the financial statement will not be adjusted for inflation, for accounting matters, and therefore the REI record is not shown.

^{2/} Includes net position for derivatives

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

	1Q06	2Q06	3Q06	4Q06	1Q07	Var. Abs 1Q07 - 1Q06	1Q07/ 1Q06
FIXED TELEPHONY							
Lines Installed	2,538,949	2,580,737	2,605,685	2,645,895	2,662,887	123,938	4.9
Lines in Service (1)	2,393,352	2,439,017	2,473,338	2,503,778	2,535,213	141,861	5.9
Lines in Service per Employee (Telefónica del Perú) (2)	693	623	629	635	639	(54)	(7.8)
Lines in Service per 100 inhabitants (%)	8.5	8.7	8.8	8.8	9.1	0.6	7.1
BASIC TELEPHONY							
Lines in Service	2,253,803	2,294,493	2,330,776	2,360,259	2,389,147	135,344	6.0
PUBLIC TELEPHONES							
Lines in Service (3)	139,499	144,339	142,275	143,176	144,868	5,369	3.8
BROADBAND							
Lines in Service (4)	359,672	389,118	435,444	468,122	497,305	137,633	38.3
SUBSCRIPTION TV							
Lines in Service (5)	474,710	490,442	507,528	557,166	561,098	86,388	18.2
TRAFFIC							
Local Traffic - Minutes (000) (6)	1,216,188	1,176,153	1,220,611	1,270,330	1,181,462	(34,726)	(2.9)
Long Distance - Minutes (000) (7)	319,281	306,661	338,920	350,691	343,781	24,500	7.7
NUMBER OF EMPLOYEES							
Telefónica del Perú (2)	3,452	3,917	3,935	3,945	3,970	518	15.0
Telefónica del Perú and Subsidiaries (8)	6,504	6,340	6,518	5,342	5,343	(1,161)	(17.9)

(1) Includes Basic Telephony, Public and Rural Telephones, without Cellulars.

(2) Starting May 2006, includes personnel of Telefónica Empresas due to the merger approved at the General Shareholders' Meeting held on April 24, 2006.

(3) Includes Fixed and Mobile Public Telephones, Fixed and Mobile Rural Telephone.

(4) Includes Speedy Traditional, Speedy Business, Giga ADSL and Cablenet, and starting 2006 includes acces to Optic Fiber.

(5) Starting 4Q 2006 includes Cable TV and Satellite TV.

(6) Includes F2F billing (voice and internet), F2M and M2F.

(7) Excludes Prepaid cards, includes packet minutes plans.

(8) On October 29, 2006, TUMSAC was sold.