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

January – March 2004

Significant Events

A summary containing the most significant events that have ocurred since January 2004 is presented below:

1. The Board of Directors, at a meeting held on February 11, 2004, approved the individual and consolidated financial statements of the Company corresponding to the fourth quarter of 2003 and decided for their filing with the Comisión Nacional Supervisora de Empresas y Valores (CONASEV), the Lima Stock Exchange and other relevant institutions of the stock market.

2. Appointments and resignations:

   - On January 21, the resignation of Mr. Bernardo Santos to the position of Central Manager of Internal Audit was accepted. At his replacement Mr. Manuel Lara, a Spanish national, was appointed.
   - On February 24, Mr. Werner Schuler was appointed as Chief Executive Officer of Telefónica Multimedia S.A.C., in replacement of Michael Duncan.

3. Delisting of Telefónica del Perú's ADRs:

   - On February 27, the Securities and Exchange Commission (SEC) ordered that the request of Telefónica del Perú S.A.A. for the delisting and cancellation of registry of its American Depositary Shares (ADS) of the New York Exchange (NYSE) be granted starting on March 1, 2004 at the opening trade.
   - On March 4, the Company requested to the Lima Stock Exchange the exclusion of ADSs from said institution, considering the cancellation of the ADSs Depositary Program and the delisting of those shares from the NYSE. On April 1, CONASEV ruled in favor of the delisting of ADSs representatives of Telefónica del Perú S.A.A. class B shares from the Securities Registry of the Lima Stock Exchange and determined their exclusion of the Public Registry of the Stock Market.
   - The Company informed its ADR holders that they could request to JP Morgan Chase Bank the exchange of their respective ADS for Telefónica del Perú S.A.A. class B shares, underlying to them, considering that one ADS is equivalent to 10 class B shares. As an alternative to that option, ADS holders will receive the amount corresponding to the value of said class B shares, resulting from the sale that JP Morgan will conduct in the Lima Stock Exchange starting on April 13, 2004. The exclusion of the ADS trade in the Lima Stock Exchange is not detrimental for the shareholders, as the underlying securities to them, the class B shares of Telefónica del Perú S.A.A., are listed and will continue to be traded in the Lima Stock Exchange.

4. On March 26, the Mandatory General Shareholders' Meeting took the following resolutions:
   - Approved the managerial performance and the financial results for the 2003 fiscal year, which are expressed in the annual report and the financial statements, individual and consolidated, for the 2003 fiscal year – presented to the Public Registry of the Stock Market of February 26, 2004.
   - Approved that the full amount of Telefónica del Perú S.A.A. net profit – after employees' participation, corresponding taxes and legal reserve deduction– be allocated to the entry of retained earnings for a later use. It also granted the Board of Directors with the corresponding powers in order to, if considered pertinent after the evaluation of the financial situation of the Company, determine a provisional dividend to be charged against the definitive dividend that the General Shareholders' Meeting would approved for the 2004 fiscal year.
   - Approved to maintain in the 2004 fiscal year as directors' remuneration the one set by the General Shareholders' Meeting on March 9, 1998 which will be paid to the directors that do not hold any executive position in any of the Telefónica Group companies, with the exception of the Chairman of the Board and the Chief Executive Officer.

- Delegated to the Board of Directors the designation of external auditors for the 2004 fiscal year.
- Extended until March 26, 2008 the authorization to issue obligations of the Company. As a consequence, the Company will be able to issue bonds in an amount of up to US$ 680 million in circulation, and short-term instruments up to US$ 300 million, considering that at any given moment, the principal of the debt contracted in light of the issuance of such securities may exceed, in total, US$ 900 million, or its equivalent in local currency.
- Approved that the Company purchase shares of its own issuance in an amount not higher than 10% of the subscribed capital, which can be kept in treasury for a maximum period of two years. In that sense, authorized the Board of Directors, which invested with wide powers, resolve about the convenience, opportunity, amount and remaining aspects related with the possible purchase and disposal of shares of its own issuance.
- Approved simple reorganization of the Company in favor of its subsidiary Telefónica Multimedia S.A.C. and as a consequence, the segregation and transfer to it of the equity block composed by the assets or liabilities related to the cable television business line and invested wide powers to the Board of Directors to determine and value the assets or liabilities that will compose said equity block.

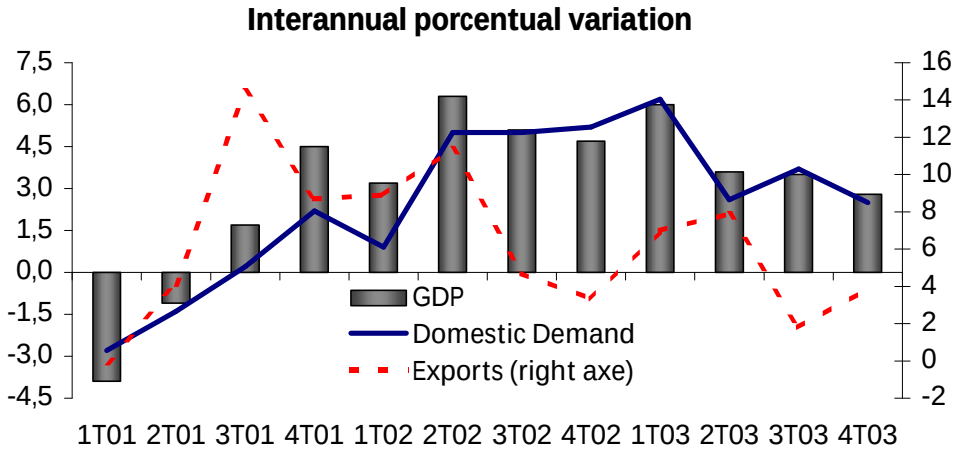
TELEFÓNICA DEL PERÚ S.A.A. AND SUBSIDIARIES

Management discussion and analysis of the consolidated results for the first quarter ended March 31, 2004

It is recommended that the reading of this report be made along with the corresponding financial statements and their notes that have been presented simultaneously, since they form an integral part of this document and contain complementary information.

Economic Environment

During 1Q04, the Gross Domestic Product (GDP) may have grown around 3.4%, which would be the lowest expected rate of the year. This growth could have been mainly explained by the good performance of the exports, specially mining and textiles. In effect, the increase in the main commodities prices (gold, cooper and zinc) and the maturity of the investments made in the textile sector because of the sound perspectives regarding the Free Trade Agreement (FTA) with the United States could allow a significant growth in exports.



Nevertheless, in annualized terms as of March 2004, the GDP could have reported a growth of just 3.3%, lower than the 4.0% reported as of December 2003, which would confirm the deceleration of the economic activity. The performance of the economic activity during the first quarter could be supported by the dynamism in exports (7%) while consumption and private investment (2.7% and 3.2%, respectively) could remain stagnant due to the impact of the politic crisis events. In disaggregated terms, it is worth noting the highlighted acceleration of the growth rate of the primary sectors, especially mining, as well as the dynamism in the non-primary sectors, particularly the construction sector.

The inflation rate acceleration reported in 1Q04 (2.1%) reflects the shocks of external and domestic demand: (i) among the external ones stand out the increases in international prices of wheat, soy oil and oil (which affect the prices of bread, edible oil and fuel) and (ii) among the domestic shocks are the problems related to bad weather conditions in the mountain region which have reduced the production and increased the prices of some domestic food items (potato, pea, rice and sugar). On the other hand, prices mostly tied to the domestic demand (underlying, the index that excludes products with highly volatile prices) grew 1.6% during the quarter.

The 1Q04 fiscal accounts could show signs of an important recovery. This is due to the tax collecting policies present since mid 2002. In effect, current revenues could grow 8% during 1Q04, mainly explained by the improvement in the collection of the IGV (increase of one percentage point), the ISC, the IR and due to the recent introduction of the Banking Transaction Tax (ITF). These results in tax collection could allow to finance non-financial expenses that would grow 4.5% during the quarter. However, the differences in the growth sources are of concern, because while public expenditures have focused on permanent areas (salaries and pensions), it is unclear whether the growth source of the revenues is of the same nature.

The exchange rate appreciation pressures seem to be reinforced in the market. It is increasingly clearer that economic fundamentals of the exchange rate are defining such behavior, as confirmed by the last data of the trade balance, which in twelve months (as of February) has surpassed US$ 1,000 million in surplus. In that sense, after the exchange rate correction, suffered following the bubble in February, it has remained relatively stable in March reaching, at the end of 1Q04, levels of S/. 3.461 per dollar., regardeless of the Central Bank policy of US dollars purchase (more than US$ 700 million during the quarter).

Operating revenues

The highlight in 1Q04 is the entrance of Telmex in the Peruvian market as a result of the acquisition of AT&T Latin America. Its arrival will mainly impact the markets of fixed telephony, long distance and data transmission, increasing the competition among operators of these services.

Operating revenues for 1Q04 totaled S/. 871 million, showing a 4.5% reduction regarding the 1T03, mainly due to the lower revenues from Local Telephony (8.1%), Long Distance (19.8%) and Public and Rural Telephony (2.6%). These reductions were partially offset by the increases in revenues for Business Communications (40.0%), Cable Television (5.9%) and Other Operating Revenues (5.0%).

Revenues for **Local Telephony** totaled S/. 377 million in 1Q04, presenting a 8.1% reduction compared with 1Q03. This variation is mainly explained by lower revenues of the local measured service, affected by the reduction in billed traffic, due to the introduction of the new tariff plans since March 2003, the application of the productivity factor, as well as the significant increase in the plant of closed lines (limit consumption lines), which represent more than 50% of the plant in service by the end of the first quarter.

Revenues for **Public and Rural Telephony** totaled S/. 182 million in 1Q04, representing a 2.6% reduction regarding 1Q03, mainly due to the lower revenues in Domestic Long Distance from public telephones – resulting from lower DLD traffic due to tariff pressure of the market that originated an important migration from the coin usage to the use of prepaid cards both from TdP and other operators -, as well as the increase in competition in public telephony.

Long Distance revenues during 1Q04 dropped 19.8% compared to 1Q03, totaling S/. 81 million, mainly due to lower tariffs in DLD and ILD, as a result of promotional campaigns as well as higher payments to carriers. Such effects were partially offset by increased revenues from the sale of Hola Perú cards and the minute packaged plans.

Regarding the prepaid cards market, TDP maintains the leadership position followed by IDT and Americatel. Also, Limatel an Full Line left the market and associated themselves with Sitel for the access, keeping the sale of cards.

The revenues for **Business Communications** totaled S/. 65 million in 1Q04, a 40.0% increase compared to 1Q03.

It is worth noting the significant growth in the Broad Band market that totaled 107 thousand lines by the end of the quarter, which represents a 146.3% increase compared with 1Q03.

Cable Television revenues totaled S/. 82 million, which represents a 5.9% increase compared to 1Q03, explained by an increased revenues in Cable TV monthly fee (4,1%) due to the 9.6% growth of the average billable plant. It is worth noting that since January of this year the Economic Service was offered in the city of Trujillo, being the first province to have this service.

Other Operating Revenues dropped 7.0% in 1Q04 compared to 1Q03, totaling S/. 84 million, mainly due to the lower net interconnection margin.

Operating expenses

Operating expenses totaled S/. 703 million, a 5.2% decrease in relation to the S/. 742 million of 1Q03, due to the lower expenses in depreciation, which drops S/. 20 million, personnel expenses, down S/. 11 million, and provisions, which falls S/. 4 million – according to the lower revenues from the businesses.

EBITDA and Operating Result

As a consequence of the lower revenues recorded in 1Q04, EBITDA (Earning before interest, tax, depreciation and amortization) totaled S/. 412 million, 5.1% lower than the one reached in 1Q03; likewise, EBITDA margin dropped slightly from 47.6% in 1Q03 to 47.3% in 1Q04. As well, the operating result fell S/. 3 million in 1Q04 compared to 1Q03, which represents a 1.5% decrease.

Non-operating Result

During 1Q04, the Company recorded a S/. 22 million non-operating profit compared to a S/. 66 million loss in 1Q03, explained by the positive effect of the monetary correction (REI) that amounted to S/. 77 million in 1Q04 compared to the S/. 27 million in 1Q03 – a 0.09% appreciation of the Nuevo Sol in the 1Q04 and a 2.8% WPI variation in the same period – and by the significant reduction of the extraordinary revenues and expenses in S/. 40 million, mainly due to lower adjustments for contingencies during 1Q04. In addition, the financial expenses were lower by 4% when compared to 1Q03 due to the decline of the Company debt level. Part of this profit was offset by the lower financial revenues in S/. 3 million.

Net result

The net profit increased from S/. 33 million in 1Q03 to S/. 106 million in 1Q04, mainly explained by the of S/. 88 million improvement of the non-operating profit.

Consolidated Balance Sheet

The liquidity levels of the Company – measured by the current assets over current liabilities ratio – decreased from 0.64 in 4Q03 to 0.63 in 1Q04. This decrease is mainly explained by the reduction in the other accounts receivable in 1Q04.

The financial debt in 1Q04 was reduced in S/. 160 million compared to 4Q03, reporting a debt, at the end of 1Q04, of S/. 1,640 million. The lower leverage rate was reflected in a decrease of the "debt over debt plus equity" ratio, going from 34.7% in 4Q03 to 31.9% in 1Q04. On the other hand, the "interest coverage" ratio – EBITDA over net interests – dropped from 15,4% in 1Q03 to 13,9% in 1Q04, while the "debt coverage" ratio – debt over EBITDA –stayed at 1,0 times in 1Q04, close to the level registered in 1Q03.

TABLE 1
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS IN ADJUSTED SOLES (000) AS OF MARCH 31, 2004 1/
(Prepared In Accordance With Peruvian GAAP)

	1Q03		1Q04		Abs. Var. 1Q04-1Q03	% Var. 1Q04-1Q03
		%		%		%
Local Telephone Service	409 896	**44,9**	376 542	**43,2**	(33 354)	**(8,1)**
Long Distance	101 250	**11,1**	81 154	**9,3**	(20 096)	**(19,8)**
Public Telephones	187 185	**20,5**	182 235	**20,9**	(4 950)	**(2,6)**
Cable TV	77 498	**8,5**	82 049	**9,4**	4 551	**5,9**
Business Communications	46 785	**5,1**	65 481	**7,5**	18 696	**40,0**
Other	90 288	**9,9**	84 001	**9,6**	(6 287)	**(7,0)**
Total Operating Revenues	912 902	**100,0**	871 462	**100,0**	(41 440)	**(4,5)**
Personnel	106 035	**11,6**	95 444	**11,0**	(10 591)	**(10,0)**
General and Administrative	255 693	**28,0**	256 267	**29,4**	574	**0,2**
Depreciation	263 331	**28,8**	243 729	**28,0**	(19 602)	**(7,4)**
Technology Transfer and Management Fees	78 677	**8,6**	72 297	**8,3**	(6 380)	**(8,1)**
Materials and Supplies	14 851	**1,6**	14 832	**1,7**	(19)	**(0,1)**
Provisions	34 195	**3,7**	30 195	**3,5**	(4 000)	**(11,7)**
Own Work Capitalized	(10 853)	**(1,2)**	(9 642)	**(1,1)**	1 211	**(11,2)**
Total Operating Costs and Expenses	741 929	**81,3**	703 122	**80,7**	(38 807)	**(5,2)**
Operating Income	170 973	**18,7**	168 340	**19,3**	(2 633)	**(1,5)**
EBITDA	434 304	**47,6**	412 069	**47,3**	(22 235)	**(5,1)**
Other Income (Expenses)						
Interest Income	8 081	**0,9**	5 086	**0,6**	(2 995)	**(37,1)**
Interest Expenses	(36 354)	**(4,0)**	(34 826)	**(4,0)**	1 528	**(4,2)**
Others Net	(64 759)	**(7,1)**	(24 688)	**(2,8)**	40 071	**(61,9)**
Inflation Gain (Loss)	27 280	**3,0**	76 771	**8,8**	49 491	**181,4**
Total Other Income (Expenses)	(65 752)	**(7,2)**	22 343	**2,6**	88 095	**(134,0)**
Income Before Taxes and Participations	105 221	**11,5**	190 683	**21,9**	85 462	**81,2**
Workers' Participation	(19 380)	**(2,1)**	(23 144)	**(2,7)**	(3 764)	**19,4**
Income Tax	(53 148)	**(5,8)**	(61 875)	**(7,1)**	(8 727)	**16,4**
Net Income	32 693	**3,6**	105 664	**12,1**	72 971	**223,2**

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

TABLE 2

TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET IN ADJUSTED SOLES (000) AS OF MARCH 31, 2004 (1)

(End of Period Figures)

ASSETS

	1T04	4T03	3T03	2T03	1T03
CURRENT ASSETS					
Cash and cash equivalents	121 374	51 407	31 124	103 047	68 842
Negociable securities	52 487	47 649	61 001	53 369	71 415
Accounts and notes receivable - net	621 258	660 743	743 629	702 340	713 748
Other accounts receivable	226 118	366 451	239 177	230 189	221 077
Materials and supplies	34 863	28 782	34 870	34 188	35 210
Prepaid taxes and expenses	38 664	69 947	87 303	66 573	75 885
Total current assets	1 094 764	1 224 979	1 197 104	1 189 706	1 186 177
Accounts receivable - LT wit T. Móviles	0	0	234 290	235 253	234 063
LONG-TERM INVESTMENTS	89 818	88 975	73 239	141 921	141 769
PROPERTY, PLANT AND EQUIPMENT	14 765 604	14 720 095	14 435 908	14 335 396	14 276 239
Accumulated depreciation	(8 712 954)	(8 487 544)	(8 215 195)	(7 989 809)	(7 769 317)
Write-off Provision	(64 060)	(64 060)	(64 060)	(64 060)	(64 060)
	5 988 590	6 168 491	6 156 653	6 281 527	6 442 862
OTHER ASSETS, net	211 583	231 590	288 414	320 142	351 939
TOTAL ASSETS	7 384 755	7 714 035	7 949 700	8 168 549	8 356 810

LIABILITIES AND SHAREHOLDERS' EQUITY

	1T04	4T03	3T03	2T03	1T03
CURRENT LIABILITIES					
Overdrafts	4 129	22 625	-	-	-
Accounts payable and accrued liabilities	425 894	477 790	477 875	337 474	470 299
Other accounts payable	752 710	892 402	924 613	1 123 221	974 835
Provision for severance indemnities	3 015	2 723	0	350	1 936
Bank Loans	208 000	145 565	215 604	364 610	382 631
Current maturities of long-term debt	83 744	87 906	59 824	60 167	304 493
Current maturities of bonds	159 004	26 990	84 357	205 841	272 868
Commercial Papers	112 563	259 944	317 004	388 591	350 900
Total current liabilities	1 749 059	1 915 945	2 079 277	2 480 254	2 757 962
LONG-TERM DEBT	304 246	323 135	371 432	382 684	323 151
BONDS	768 299	933 651	883 623	699 344	528 005
GUARANTY DEPOSITS	103 461	107 144	107 727	106 140	103 068
DEFERRED EARNINGS	966 124	1 040 157	1 069 855	1 081 983	1 065 846
SHAREHOLDERS' EQUITY					
Capital stock	3 036 176	3 036 176	3 036 176	3 036 176	3 036 176
Legal reserve	364 912	362 551	362 551	362 551	359 235
Retained earnings	92 478	(4 724)	39 059	19 417	183 367
TOTAL SHAREHOLDERS' EQUITY	3 493 566	3 394 003	3 437 786	3 418 144	3 578 778
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7 384 755	7 714 035	7 949 700	8 168 549	8 356 810

(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

	1Q03	2Q03	3Q03	4Q03	1Q04	1Q04-1Q03	1Q04/ 1Q03
Fixed-Wire Telephone Service: Local+Long Distance							
Lines Installed	2 032 817	2 037 097	2 107 791	2 145 345	2 178 845	146 028	**7,2**
Profits (losses) in Lines in Service, net	16 661	33 991	46 152	49 052	33 536	16 875	**101,3**
Lines in Service Including Public Telephones (1)	1 828 732	1 866 171	1 915 191	1 963 554	1 998 141	169 409	**9,3**
Local Traffic - Minutes (000) (2)	-	-	-	-	-	(237 300)	**-**
Long Distance - Minutes (000)	205 907	226 751	239 200	241 167	240 638	34 731	**16,9**
Number of Employees (Telefónica del Perú and Subsidiaries)	5 217	5 058	5 004	4 920	5 198	(19)	**(0,4)**
Number of Employees (Telefónica del Perú)	3 566	3 454	3 413	3 316	3 335	(231)	**(6,5)**
Lines in Service per Employee (Telefónica del Perú)	513	540	561	592	599	86	**16,8**
Digitalization Rate (%)	96	96	96	96	96	0	**0,3**
Lines in Service per 100 inhabitants	6,8	6,9	7,0	7,2	7,3	1	**7,7**
PUBLIC TELEPHONES							
Lines in Service (3)	109 788	113 285	116 159	115 614	116 694	6 906	**6,3**
BROAD BAND							
Lines in Service	43 543	54 435	68 197	90 689	107 246	63 703	**146,3**
CABLE TV							
Subscribers	340 163	345 016	355 011	363 088	369 741	29 578	**8,7**

(1) Excluding Cellular Public Phones, Publifón and rurals
(2) Including traffic F2F billing (voice and internet), F2F anf F2M
(3) Excluding Prepaid cards, including packed minutes plans.
(4) Including Cellular Public Phones