

# *Telefonica*

---

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

**July – September 2005**

## Significant Events

A summary containing the most significant events since July 2005 is presented below:

1. Approval of financial results

On session held on July 20th, 2005, the Board of Directors approved the individual and consolidated financial statements of the Company corresponding to the second quarter of 2005 and decided for their filing with the Comisión Nacional Supervisora de Empresas y Valores, the Lima Stock Exchange (BVL) and corresponding institutions of the stock market.

2. Corporate Governance Practices

On July 20, the Audit Committee approved the "Operation Guidelines for the Accusation Channel" that will allow the employees to communicate and process before said Committee the information known to them about possible irregularities that affect the accounting, the internal control systems of the financial information or the auditing of the company or its economic group.

3. Reimbursement of contributions to the shareholders

On July 18, 2005, the Company proceeded to repay the contributions to the shareholders, following the decision taken on the Board of Directors' Meeting held on May 25, 2005. The repayment for the contributions was carried on in US dollars.

4. Operations with the economic group

On its session held on August 10, 2005, the Board of Directors approved the acquisition of shares representative of the capital stock of Telefónica Empresas Perú S.A.A. through negotiation in the Lima Stock Market (BVL), aiming to reach a minimum participation of 97,08% of said company. The operation will comprise, at least, the acquisition of shares owned by Telefónica Datacorp, S.A., but may also include the shares of the minority shareholders that present sell orders that do not surpass the price that will be set for each share.

5. Capital stock increase

The General Shareholders' Meeting held on September 08, 2005 approved the capitalization of the legal reserve in the amount of S/. 344,392,883.40, which was materialized through the increase in the nominal value of the shares from S/. 0.80 to S/. 1.00, while the number of shares issued remained the same (1,721,964,417). The referred capital stock increase was effective on September 19, 2005; consequently, the article 5 of the Company's bylaws that deals with the amount of the capital was modified.

6. Financing plans

On its session held on August 24, 2005, the Board of Directors authorized the issuance of bonds in the international market for up to equivalent of US\$ 250 million, to be placed in one or more tranches, considering for that the term and economic limits established by the General Shareholders' Meeting held on March 26, 2004.

On that sense, the Company informed the market on October 04 about the private international issuance of bonds maturing in April 2016 for the amount of S/. 754,050,000 (approximately US\$224,921,700) at par price and paying an interest rate of 8%.

7. Changes in the management team

On session held on July 20, 2005, the Board of Directors accepted the letter of resignation presented by Mr. Séneca de la Puente to the position of Central Manager of Resources and Client Services, and appointed Mr. Dennis Fernández as his replacement.

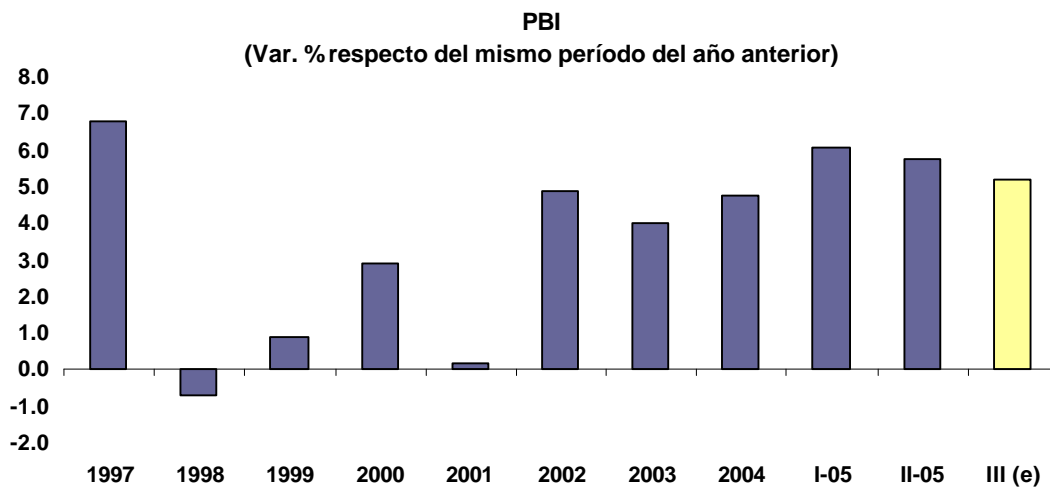
# TELEFÓNICA DEL PERÚ S.A.A. AND SUBSIDIARIES

## Management discussion and analysis of the consolidated results for the third quarter and nine months ended September 30, 2005

*It is 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 third quarter, the Gross Domestic Product could have grown about 5.0%. As it can be observed in the graph, there is a downward trend in the yearly growth rates. Despite that trend, according to the last survey of macroeconomic expectations conducted by the Central Bank of Reserve (BCR) by the end of September, the consensus of economic analysts expects that the year 2005 ends with a growth of 5.6% (the greater expansion in eight years). The drivers for the growth are several: exports (traditional and non-traditional), private investments in different sectors (mining, construction, manufacturing, among others) and the public expenditure (mainly current expenditure). Furthermore, the 51 consecutive months of growth had a favorable impact in the confidence of the consumers and entrepreneurs. It is worth noting that different to previous expansion periods, this one materialized without macroeconomic imbalances. Conversely, this year and according to the analyst's consensus, the first surplus in the current account in 20 years would be reached and the international reserves reached high levels (US\$ 13,695 million by the end of September, which represents a coverage of 14 months of imports). On the fiscal side, the market consensus expects that the government accomplishes its deficit target of 1.0% of the GDP.



Regarding prices, a deflation of 0.17% was recorded during the third quarter and the inflation rate in the last 12 months dropped to 1.11% (the lowest value since October 2002), below the lower target rate of the BCR for the inflation of the whole year (1.5% - 3.5%). During the last months, the downward trend of the inflation has been driven, in a larger part, by the decrease in the prices of food in light of the greater offering of agricultural products after the recovery of the sector after the drought in the year 2004. In this scenario, the BCR reduced its inflation projection from 2.2% to 1.8% for this year. Moreover, some analysts point out that the inflation could be lower than 1.5%. In front of the lack of inflationary pressures, the BCR maintains its interest rate unaltered in 3.0% since October 2004.

On the other hand, the exchange rate finished September at levels of S/. 3.322 per dollar, which represented a depreciation of 2.1% compared to the previous quarter, but an improvement of 0.6% compared to September 2004. After the stability registered along 2005, the Nuevo Sol started to depreciate itself in the second half of August, which could have been the result of several factors: 1) short-term interest rates in US dollars higher than the ones in Nuevos Soles; 2) exchange position of the banks at low levels; 3) greater demand for dollars by the institutional investors in order to purchase bonds; 4) greater demand of forwards by the foreign investors. Conversely, the BCR has endorsed the depreciation by staying out of the exchange market. Therefore, several

analysts point out that the BCR would be seeking to impose a more depreciated foreign exchange rate, which could help it to achieve its yearly inflation target. In the first days of October, the nervousness in the exchange market continued and the exchange rate almost reached S/. 3.40 per US dollar (level not seen since August 2004). Nevertheless, different economic analysts and even the Ministry of Economy have noted that a partial correction of the exchange rate could be observed, since the external accounts are solid. Hence, between January and August, a commercial surplus of US\$ 2,962 million was achieved, 80% more than in similar period of 2004.

It is worth noting that despite the fact that the accumulated depreciation of the Peruvian currency along 2005 is against the regional trend, the country risk (measured through the Embi+ index elaborated by JP Morgan) has decreased more than any other Latin-American country in the last months. By the end of September, it dropped to 138 basic points, reaching historically low values and achieving levels similar to the ones of Mexico, country that holds investment grade. It is worth highlighting that on July 11, Standard & Poor's improved the outlook from stable to positive for the rating assigned to the sovereign debt of Peru (BB or two levels below investment grade). On the other hand, by mid-August, the Peruvian government prepaid US\$ 1,555 million to the Club of Paris, corresponding to the debt maturing in 2009, which will result in estimated annual savings of US\$ 350 million in the external debt service. The operation was financed with issuances in the local market (S/. 2,619 million) and the external market (US\$ 750 million)

## Competitive Environment

In the local telephony business, the main competitors -Telmex and Americatel- continued with to focus fundamentally on the corporate segment. In the long distance business and public telephony, IDT, Americatel, and Telmex focused in the sale of prepaid cards, applying price reductions which could not be answered due to the application by the Regulator of the tariff imputation proof (minimum prices in domestic long distance), which resulted in a reduction in the market share. In public telephony, there was an important increase in the plant of the competition, mainly Telmex. For the three businesses, fixed telephony, long distance and public telephony, it is worth mentioning the increasing competition from the mobile telephony, resulting of the plant growth and the consequent effect of substitution of the traffic of minutes. Finally, in the Internet access business, there has been a strong migration of the services of narrow band towards broadband. In an environment of strong plant growth, the different participants of the market (Telefónica del Perú, RCP and Terra) have focused in capturing the existing demand through commercial promotions based on discounts on the cost of the modem, the installation fee and the first month of service.

## Operating revenues

During the 3Q05 as in previous quarters, the operating revenues were strongly affected by regulatory decisions – enforcement of a productivity factor of 10.07% since September 01, 2004, the highest worldwide, and the application of the tariff imputation proof in the Domestic Long Distance business. Therefore, despite the important growths reached in terms of the number of accesses of the main services of the Company, the operating revenues of the 3Q05 just grew 0.9% compared to the 3Q04, while the operating income dropped 14.1%.

By the end of the 3Q05, the total of accesses of Telefónica del Perú showed an important yearly increase of 9.9% in lines of fixed telephony, 86.8% in broadband accesses, 10.2% in public telephony lines and 14.1% in subscribers of cable TV. The impact during the 9M05 of the regulatory and competitive environments over the operating revenues was dimmed by the intense commercial activity of the Company that explains: i) the strong growth of fixed telephony accesses, resulting in 49,558 net adds; ii) the performance of the broadband plant that reached more than 310 thousand users by the end of September; iii) the performance of the public telephony plant that reached more than 137 thousand users; and iv) the expansion in the number of subscribers of cable TV, closing the period with more than 437 thousand subscribers.

**Operating revenues** for the 3Q05 reached S/. 860 million, 0.9% higher than the ones registered in the 3Q04, thus reverting the trend of the 1Q05 and the 2Q05, despite the negative effect of the businesses of Local Telephony (-7.5%), Long Distance (-15.8%) and Business Communications (-9.9%). On the other hand, the

revenues of the businesses of Internet grew 34.6% in the 3Q05 compared to the 3Q04, the ones from Cable Television grew 15.4% and the ones from Public and Rural Telephony grew 3.1%.

On the other hand, the operating revenues for the 9M05 reached S/. 2,578 million, dropping 0.5% compared to the 9M04. The revenues that contributed to soften the lower revenues from the traditional businesses (Local Telephony and Long Distance) are: Internet, which increased 33.6%; Cable Television, which grew 5.4%; and Public and Rural Telephony, which increased 1.9%.

The revenues for **Local Telephony** reached S/. 311 million in the 3Q05, presented a reduction of 7.5% compared with the 3Q04. Likewise, the revenues of the 9M05 showed the same percentage reduction compared to the 9M04, reaching S/. 945 million. Nevertheless, at the end of the period, the plant in service reached 2.2 million lines, with an annual growth of 9.8%, which reflects the strong effort developed by the Company to increase the penetration by offering prepaid or consumption limit products that satisfy the specific needs of each market segment.

**Long Distance** revenues during the 3Q05 dropped 15.8% compared to the 3Q04, totaling S/. 93 million. The lower revenues from DLD (-8.5%), as a result of the lower traffic, were not offset by the higher revenues from ILD (19.5%). This market presents a highly competitive environment, mainly in the prepaid card segment, and has been affected by the application of the tariff imputation proof established by Osiptel, which has caused a reduction in the volume of minutes and result in a loss of market share by the Company. On the other hand, the revenues for the 9M05 totaled S/. 321 million, 7.5% lower than in the 9M04, due to the lower revenues for DLD (-6.9%). This effect was partially offset by the higher revenues from ILD (13.3%), resulting of the higher traffic, as well as the lower payments to foreign operators.

The revenues for **Public and Rural Telephony** reached S/. 149 million in the 3Q05, representing a 3.1% increase regarding the 3Q04, while on the 9M05 reached S/. 456 million, 1.9% higher than in the 9M04. These increases are mainly due to the growth of the plant in service, 10.2% year-over-year, and the effort in managing the relocations, which was partially offset by the lower traffic per line due to the increasing substitution by the mobile telephony and the increase in the fixed telephony plant through prepaid and consumption limit products.

**Cable Television** revenues reached S/. 89 million in the 3Q05, which represents a 15.4% increase compared to the 3Q04. Likewise, in the 9M05 an increase of 5.4% compared to the 9M04 is registered, totaling S/. 244 million. This growth is explained by the increase of 14.1% year-over-year in the number of subscribers, as a result of the important commercial effort carried on and the execution of a program against illegal installations.

The revenues for **Business Communications** reached S/. 19 million in the 3Q05, 9.9% lower than in the 3Q04, while in the 9M05 reached S/. 61 million, 16.3% lower than in the 9M04. This result was mainly explained by the reduction of revenues from Digired in 17.7%, due to the migration to the product IP-VPN.

The revenues for **Internet** reached S/. 105 million in the 3Q05, an increase of 34.6% compared to the 3Q04. This growth is chiefly explained by the year-over-year growth of the broadband plant in 86.8%, reaching 310 thousand lines through permanent commercial actions aimed to provide the customers with greater benefits. Likewise, the revenues for the 9M05 reached S/. 282 million, 33.6% higher than in the 9M04.

## Operating expenses

The operating expenses totaled S/. 666 million in the 3Q05, which represents an increase of 6.3% in respect to the S/. 627 million of the 3Q04. There were increases in: depreciation and amortization of S/. 36 million, general and administrative expenses of S/. 15 million and materials and supplies of S/. 6 million, the latter related to the greater commercial activity and the resulting increase in the lines in service of the different products. These increases were partially offset by the lower expenses in provisions for bad debt in S/. 21 million.

The accumulated operating expenses of S/. 2,041 million in the 9M05 raised S/. 9 million, which represents an increase of 0.4% compared to the 9M04, chiefly due to the increase in: depreciation and amortizations of S/.

118 million, general and administrative expenses of S/. 44 million and materials and supplies of S/. 8 million. Said increases were partially dimmed by the decrease in the management fee (in place since July 01, 2004) in S/. 128 million and the provision for bad debt in S/. 38 million, due to the effect of the larger prepaid and consumption limit plant which resulted in a better collection management.

## **Operating Result**

The operating result dropped 14.1% in the 3Q05 compared to the 3Q04, going from S/. 226 million to S/. 194 million, mainly due to the increase in operating expenses compared to the operating revenues during the quarter.

In the 9M05, the operating result fell 3.9% compared to the 9M04, reaching S/. 536 million. This was chiefly explained by the lower revenues in local telephony and long distance, although they were offset to a certain extent by the reduction in the management fee of the controlling shareholder and the provision for bad debt.

## **Non-operating Result**

During this period, the non-operating result improved mainly as a result of the monetary correction (or REI), which had a negative effect of S/. 21 million in the 3Q04, while in the 3Q05 is no longer applied, due to the change in the accounting policies in the country starting on January 1<sup>st</sup>, 2005. Furthermore, the net financial expenses fell S/. 13 million and others net dropped S/. 12 million.

In the 9M05, the non-operating result was reduced in S/. 165 million compared to the 9M04 mainly explained by the monetary correction recorded in 2004 (S/. 109 million), as well as a higher loss in others net during the period (S/. 42 million).

## **Net result**

The net results improved from S/. 78 million in the 3Q04 to S/. 84 million in the 3Q05, an increase of 7.9%, mostly explained by the better non-operating result. On the other hand, the accumulated net result dropped 44.9%, from S/. 273 million in the 9M04 to S/. 151 million in the 9M05, mainly as a result of the positive effect of the monetary correction in the 9M04.

## **Consolidated Balance Sheet**

The liquidity levels of the Company – measured by the current assets over current liabilities ratio – reached 0.49 in the 3Q05, lower than the 0.71 recorded in the 2Q05, mainly as a consequence of the lower cash levels. Regarding the capacity for debt payment, the financial coverage ratio (debt – cash and cash equivalents / operating result + depreciation and amortization) increased from 0.73 in the 2Q05 to 0.97 in the 3Q05. In the 9M05, the investments executed for the extension of the services reached S/. 334.9 million.

TABLE 1  
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENTS IN ADJUSTED SOLES (000) AS OF SEPTEMBER 30, 2005 <sup>1/</sup>  
(Prepared In Accordance With Peruvian GAAP)

	3Q04		3Q05		Abs. Var.	% Var.	9M04		9M05		Var. Abs.	Var. %
					3Q05-3Q04	3Q05-3Q04					9M05-9M04	9M05-9M04
		%		%		%		%		%		%
Local Telephone Service	335 908	<b>39,4</b>	310 696	<b>36,1</b>	(25 212)	<b>(7,5)</b>	1 022 304	<b>39,5</b>	945 141	<b>36,7</b>	(77 163)	<b>(7,5)</b>
Long Distance	110 119	<b>12,9</b>	92 678	<b>10,8</b>	(17 441)	<b>(15,8)</b>	346 701	<b>13,4</b>	320 828	<b>12,4</b>	(25 873)	<b>(7,5)</b>
Public Telephones	144 277	<b>16,9</b>	148 704	<b>17,3</b>	4 427	<b>3,1</b>	447 072	<b>17,3</b>	455 531	<b>17,7</b>	8 459	<b>1,9</b>
Cable TV	77 183	<b>9,1</b>	89 090	<b>10,4</b>	11 907	<b>15,4</b>	231 365	<b>8,9</b>	243 761	<b>9,5</b>	12 396	<b>5,4</b>
Business Communications	21 470	<b>2,5</b>	19 350	<b>2,2</b>	(2 120)	<b>(9,9)</b>	72 496	<b>2,8</b>	60 683	<b>2,4</b>	(11 813)	<b>(16,3)</b>
Internet	77 757	<b>9,1</b>	104 646	<b>12,2</b>	26 889	<b>34,6</b>	210 779	<b>8,1</b>	281 544	<b>10,9</b>	70 765	<b>33,6</b>
Other	85 993	<b>10,1</b>	95 150	<b>11,1</b>	9 157	<b>10,6</b>	259 703	<b>10,0</b>	270 087	<b>10,5</b>	10 384	<b>4,0</b>
<b>Total Operating Revenues</b>	<b>852 707</b>	<b>100,0</b>	<b>860 314</b>	<b>100,0</b>	<b>7 607</b>	<b>0,9</b>	<b>2 590 420</b>	<b>100,0</b>	<b>2 577 575</b>	<b>100,0</b>	<b>(12 845)</b>	<b>(0,5)</b>
Personnel	94 844	<b>11,1</b>	95 611	<b>11,1</b>	767	<b>0,8</b>	285 941	<b>11,0</b>	285 683	<b>11,1</b>	(258)	<b>(0,1)</b>
General and Administrative	238 210	<b>27,9</b>	252 896	<b>29,4</b>	14 686	<b>6,2</b>	738 658	<b>28,5</b>	783 031	<b>30,4</b>	44 373	<b>6,0</b>
Depreciation	249 526	<b>29,3</b>	286 004	<b>33,2</b>	36 478	<b>14,6</b>	743 364	<b>28,7</b>	861 385	<b>33,4</b>	118 021	<b>15,9</b>
Technology Transfer and Management Fees	9 926	<b>1,2</b>	9 922	<b>1,2</b>	(4)	<b>(0,0)</b>	157 870	<b>6,1</b>	30 224	<b>1,2</b>	(127 646)	<b>(80,9)</b>
Materials and Supplies	16 496	<b>1,9</b>	22 236	<b>2,6</b>	5 740	<b>34,8</b>	48 937	<b>1,9</b>	57 127	<b>2,2</b>	8 190	<b>16,7</b>
Provisions	27 281	<b>3,2</b>	6 467	<b>0,8</b>	(20 814)	<b>(76,3)</b>	86 413	<b>3,3</b>	48 644	<b>1,9</b>	(37 769)	<b>(43,7)</b>
Own Work Capitalized	(9 421)	<b>(1,1)</b>	(6 923)	<b>(0,8)</b>	2 498	<b>(26,5)</b>	(28 759)	<b>(1,1)</b>	(24 943)	<b>(1,0)</b>	3 816	<b>(13,3)</b>
<b>Total Operating Costs and Expenses</b>	<b>626 862</b>	<b>73,5</b>	<b>666 213</b>	<b>77,4</b>	<b>39 351</b>	<b>6,3</b>	<b>2 032 424</b>	<b>78,5</b>	<b>2 041 151</b>	<b>79,2</b>	<b>8 727</b>	<b>0,4</b>
<b>Operating Income</b>	<b>225 845</b>	<b>26,5</b>	<b>194 101</b>	<b>22,6</b>	<b>(31 744)</b>	<b>(14,1)</b>	<b>557 996</b>	<b>21,5</b>	<b>536 424</b>	<b>20,8</b>	<b>(21 572)</b>	<b>(3,9)</b>
<b>Other Income (Expenses)</b>												
Interest Income	44 703	<b>5,2</b>	10 909	<b>1,3</b>	(33 794)	<b>(75,6)</b>	66 428	<b>2,6</b>	33 494	<b>1,3</b>	(32 934)	<b>(49,6)</b>
Interest Expenses	(61 462)	<b>(7,2)</b>	(48 139)	<b>(5,6)</b>	13 323	<b>(21,7)</b>	(147 320)	<b>(5,7)</b>	(127 855)	<b>(5,0)</b>	19 465	<b>(13,2)</b>
Others Net	(13 372)	<b>(1,6)</b>	(1 718)	<b>(0,2)</b>	11 654	<b>(87,2)</b>	(55 132)	<b>(2,1)</b>	(97 519)	<b>(3,8)</b>	(42 387)	<b>76,9</b>
Inflation Gain (Loss)	(21 269)	<b>(2,5)</b>	-	-	21 269	<b>(100,0)</b>	108 727	<b>4,2</b>	-	-	(108 727)	<b>(100,0)</b>
<b>Total Other Income (Expenses)</b>	<b>(51 400)</b>	<b>(6,0)</b>	<b>(38 948)</b>	<b>(4,5)</b>	<b>12 452</b>	<b>(24,2)</b>	<b>(27 297)</b>	<b>(1,1)</b>	<b>(191 880)</b>	<b>(7,4)</b>	<b>(164 583)</b>	<b>602,9</b>
<b>Income Before Taxes and Participations</b>	<b>174 445</b>	<b>20,5</b>	<b>155 153</b>	<b>18,0</b>	<b>(19 292)</b>	<b>(11,1)</b>	<b>530 699</b>	<b>20,5</b>	<b>344 544</b>	<b>13,4</b>	<b>(186 155)</b>	<b>(35,1)</b>
Workers' Participation	(25 665)	<b>(3,0)</b>	(19 033)	<b>(2,2)</b>	6 632	<b>(25,8)</b>	(69 244)	<b>(2,7)</b>	(51 687)	<b>(2,0)</b>	17 557	<b>(25,4)</b>
Income Tax	(70 886)	<b>(8,3)</b>	(52 036)	<b>(6,0)</b>	18 850	<b>(26,6)</b>	(188 023)	<b>(7,3)</b>	(142 137)	<b>(5,5)</b>	45 886	<b>(24,4)</b>
<b>Net Income</b>	<b>77 894</b>	<b>9,1</b>	<b>84 084</b>	<b>9,8</b>	<b>6 190</b>	<b>7,9</b>	<b>273 432</b>	<b>10,6</b>	<b>150 720</b>	<b>5,8</b>	<b>(122 712)</b>	<b>(44,9)</b>

1/ According to the disposition of the Accounting Regulation Counsel No. 031-2004, from January 1, 2005 on, the adjustment resulting of the effect of the inflation is no longer be applied to the financial statements for accounting purposes, thus eliminating the entry for monetary correction (REI). Moreover, only the information for the 3Q04 and the 9M04 is adjusted by the WPI published by the Instituto Nacional de Estadística e Informática (INEI) as of December 31, 2004.

It is worth noting that from January 1, 2005 on, the differences in foreign exchange are recorded in the financial revenues or expenses, were applicable. For comparison reasons, the differences in the foreign exchange corresponding to the 3Q04 and the 9M04 have been reclassified in that entry.



TABLE 2

TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEET IN ADJUSTED SOLES (000) AS OF SEPTEMBER 30, 2005 (1)  
 (End of Period Figures)

ASSETS						LIABILITIES AND SHAREHOLDERS' EQUITY					
	3Q05	2Q05	1Q05	4Q04	3Q04	3Q05	2Q05	1Q05	4Q04	3Q04	
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	331 241	768 061	282 242	63 332	352 221	Overdrafts	4 759	4 456	5 239	5 347	368
Negotiable securities	52 315	41 823	44 845	37 325	45 388	Accounts payable and accrued liabilities	421 070	385 536	418 214	478 260	355 479
Accounts and notes receivable - net	585 709	591 746	547 770	569 592	547 559	Other accounts payable	1 112 183	987 881	1 043 349	1 051 875	775 682
Other accounts receivable	93 975	91 969	249 492	188 230	214 044	Provision for severance indemnities	9 749	4 452	9 912	4 120,00	2 374
Materials and supplies	41 828	39 280	35 806	37 558	37 487	Bank Loans	225 625	304 350	165 000	201 500	110 000
Prepaid taxes and expenses	53 244	56 542	56 995	41 307	48 029	Current maturities of long-term debt	49 623	49 439	89 961	90 211	120 395
Investments				95 205	84 527	Current maturities of bonds	278 100	163 977	248 977	398 496	234 519
Total current assets	1 158 312	1 589 421	1 217 150	1 032 549	1 329 255	Commercial Papers	282 900	328 185	215 000	95 000	51 500
						Total current liabilities	2 384 009	2 228 276	2 195 652	2 324 809	1 650 317
LONG-TERM INVESTMENTS	11 678	10 755	10 035	9 197	8 593	LONG-TERM DEBT	636 661	468 955	323 220	335 144	235 276
DEFERRED EXPENSES	8 266	8 699				BONDS	710 849	822 824	749 961	582 522	746 561
PROPERTY, PLANT AND EQUIPMENT	15 789 134	15 642 038	15 539 435	15 473 120	15 195 811	GUARANTY DEPOSITS	106 929	105 114	103 780	102 475	104 203
Accumulated depreciation	(10 372 035)	(10 109 099)	(9 836 164)	(9 579 437)	(9 342 531)	DEFERRED EARNINGS	785 815	843 857	935 188	1 009 042	918 020
Write-off Provision	(81 844)	(88 510)	(79 192)	(79 192)	(65 355)	SHAREHOLDERS' EQUITY					
	5 335 255	5 444 429	5 624 079	5 814 491	5 787 925	Capital stock	1 924 595	2 355 086	2 355 086	2 355 086	3 098 199
OTHER ASSETS, net	213 974	209 744	203 580	225 141	225 141	Treasury shares	(21 896)	(21 896)	(21 896)	(21 896)	(21 895)
						Legal reserve	33 275	377 668	377 668	372 365	372 365
						Retained earnings	167 248	83 164	36 185	21 831	247 868
TOTAL ASSETS	6 727 485	7 263 048	7 054 844	7 081 378	7 350 914	TOTAL SHAREHOLDERS' EQUITY	2 103 222	2 794 022	2 747 043	2 727 386	3 696 537
						TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6 727 485	7 263 048	7 054 844	7 081 378	7 350 914

1/ According to the disposition of the Accounting Regulation Counsel No. 031-2004, from January 1, 2005 on, the adjustment resulting of the effect of the inflation is no longer be applied to the financial statements for accounting purposes. Moreover, only the information for the year 2004 is adjusted by the WPI published by the Instituto Nacional de Estadística e Informática (INEI) as of December 31, 2004.

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

	<b>3Q04</b>	<b>4Q04</b>	<b>1Q05</b>	<b>2Q05</b>	<b>3Q05</b>	<b>Var. Abs. 3Q05-3Q04</b>	<b>3Q05/ 3Q04</b>
<b>Fixed-Wire Telephone Service: Local+Long Distance</b>							
Lines Installed	2 260 831	2 307 247	2 343 993	2 396 113	2 455 347	194 516	<b>8,6</b>
Profits (losses) in Lines in Service, net	46 990	50 462	48 380	46 115	49 558	2 568	<b>5,5</b>
Lines in Service Including Public Telephones (1)	2 095 838	2 150 827	2 201 167	2 250 663	2 302 585	206 747	<b>9,9</b>
Local Traffic - Minutes (000) (2)	1 302 021	1 294 169	1 260 216	1 247 663	1 236 312	(65 708)	<b>(5,0)</b>
Long Distance - Minutes (000) (3)	235 797	252 848	267 761	286 576	294 434	58 637	<b>24,9</b>
Number of Employees (Telefónica del Perú and Subsidiaries)	5 227	5 179	5 158	5 280	5 371	144	<b>2,8</b>
Number of Employees (Telefónica del Perú)	3 328	3 153	3 144	3 170	3 196	(132)	<b>(4,0)</b>
Lines in Service per Employee (Telefónica del Perú)	630	682	700	710	720	91	<b>14,3</b>
Digitalization Rate (%)	96,5	96,5	96,6	96,7	96,7	0,2	<b>0,2</b>
Lines in Service per 100 inhabitants	7,6	7,8	8,0	8,1	8,3	0,7	<b>9,2</b>
<b>PUBLIC TELEPHONES</b>							
Lines in Service (4)	124 499	129 353	130 980	134 423	137 226	12 727	<b>10,2</b>
<b>BROAD BAND</b>							
Lines in Service (5)	166 228	205 425	234 660	276 151	310 470	144 242	<b>86,8</b>
<b>CABLE TV</b>							
Subscribers	383 260	389 174	405 959	417 535	437 172	53 912	<b>14,1</b>

**(1) Excluding Cellular Public Phones, Publifón and rurals**

**(2) Including billed traffic F2F (voice and internet), F2M and M2F**

**(3) Excluding Prepaid cards, including packed minutes plans.**

**(4) Including Cellular and fixed public phones and Rural fixed and cellular public phones.**

**(5) Including broad band and Cablenet.**