

Telefonica

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

April – June 2008

Significant Events 2008

A summary containing the most significant events from April 1st to June 30th, 2008 is presented below:

1. On April 4th, 2008, the rating agency Fitch Ratings improved the foreign currency debt rating to BBB from BBB-.
2. On April 25th, 2008, the Board of Directors approved the consolidated unaudited financial statements for the first quarter 2008.

Telefónica del Perú S.A.A. and Subsidiaries

Discussion and Analysis of the first Quarter results ended on June 30, 2008

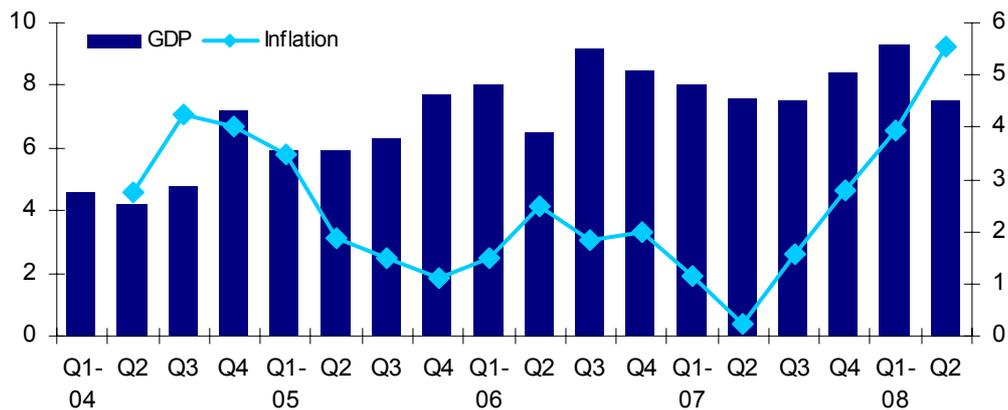
It is recommended the reading of this report along with the corresponding financial statements and their notes, presented at the same time, since they form integral part of this document and contain complementary information.

Economic Environment

The Peruvian economy maintained its strong dynamism during the first quarter 2008 growing 9,3% compared to 1Q07. In 2Q08 this momentum has increased. According to Official estimates the Gross Domestic Product (GDP) would have grown 10.8% in 2Q08, being led by labour-intensive industries such as: construction, non-primary manufacture and commerce. This explains the 10% urban employment growth in 2Q08, with monthly wage increases close to 10%. The consumption trend shows growth rates above 8, 6%, higher than the average shown between 2000 and 2005, keeping the internal demand its strong dynamism.

On the other hand, The Consumer Price Index reported worst numbers than expected by the market and monetary authorities. The continuing shocks of the supply and demand affected the food and energetic commodity prices in the international market which affected the internal prices, raising up the inflation rate to 5,7 % in the last twelve months from 5.5% recorded in march, with a close 0.6 monthly average rate over the six first months of the year.

Gross Domestic Product and Inflation



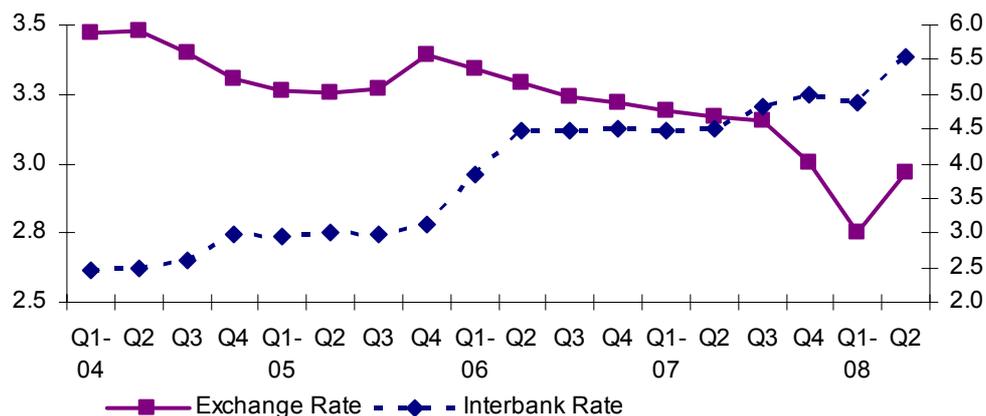
Source: BCRP
* PIB TdP Forecast

During the second quarter 2008 the New Sol showed mixed results. In the second week of April, the accelerated appreciation shown in the first quarter started to revert due to different factors. First, the increase of bank reserve requirements both in local and foreign currency by the Central Bank (BCRP). Second, the maturity of currency hedges, BCRP's depositary Certificates and Soberano bonds, that represented the clearance of positions in new sol of some non-resident investors who were leaving the domestic market. As such

the new sol depreciated in almost 8,0% in the second quarter, after having appreciated 9.1% during the first quarter. This scenario helped the BCRP to stop intervening in the market, as it only bought US\$ 1.155 millions in April and sold US\$ 164 millions in June to avoid strong currency fluctuations. The Net International Reserves (RIN) ended the second quarter of the year at USD 35 518 million, 5,8% above the RIN registered in the first quarter.

The still persistent volatility of the financial markets, as a result of the uncertainty of credit markets, as well as the U.S economic outlook and its worldwide impact, contributed to the losses of the local stock market. The Lima Stock Exchange General Index fell 6,29% in the second quarter of 2008, after it had fallen 0,78% in the previous quarter. Meanwhile, local rates suffered significant fluctuations due to the combination of monetary policies and reduced liquidity both in nuevos soles and U.S dollars. The reference interest rate closed at 5,75% by the end of the second quarter , after being raised twice 25 pbs both in April and June by the BCRP's board of directors.

Exchange Rate and Interbank Interest Rate



It is worth mentioning that by the beginning of the second quarter, Fitch Ratings raised Peru's long-term debt credit rating in foreign currency to investment grade from BB+ with positive outlook to BBB- with stable outlook. Before, in October 2007, the Canadian Dominion Bond Rating Service (DBRS) had assigned the investment grade to the Peruvian debt too. Last, in July of 2008, the rating agency S&P changed the long-term Peruvian debt in foreign currency to BBB- with stable outlook due to the its economic less external vulnerability.

Competitive Environment

The second quarter 2008 started with Telmex aggressive strategy to enter the residential market.

On the other hand, after Telefónica had successfully launched its "Trios" product line which included a flat rate service on local calls, Telefónica decided to launch its flat rate product line as an independent product in the first days of April. Likewise, Telefónica offered to the market its "TV Player"

product line by the end of June to offer its full product line in Subscription TV. Also, during the year 2008, tariffs to mobile users have been reduced progressively.

Operating Results

Operating Revenues

Operating Revenues for 2Q08 reached S/. 1 021 million, an 8,4% decrease over 2Q07. These lower revenues in Public and Rural Telephony (-31,6%), Local Telephony (-10,4%), Long Distance Telephony (-26,2%) and others (-10,4%) were partially offset by the increase in Internet revenues (+20,2%), Subscription TV (+3,9%) and Data and Information Technology (+2,1%).

The Operating Revenues for 6M08 reached S/. 2 056 million, decreasing 7,7% over 6M07, due to lower revenues in Public and Rural Telephony (-36,6%), Local Telephony (-8,8%), Long Distance Telephony (-22,7%) and others (-7,2%). These results were offset by, revenue increases from Internet (+22,1%), Subscription TV (+8,2%) and Data and Information Technology (+2,5%).

Telefonica continues its commercial strategy based on market penetration through the offer of services to attend each market segment, focusing its efforts in promotional campaigns – commercialization of the “Trio”-Telefónica. In addition, Telefonica seeks to broaden its access in the market by creating customer loyalty. Thus, at end of 2Q08, the total number of accesses in service shows an annual growth for the last twelve months of (i) 18,7% in Broadband, fundamentally due to the increase of the speed ladder for each of the products under the Speedy brand. (ii) 12,6% in Subscription TV with the incorporation of satellite technology for those clients who live in remote places, and (iii) 6,5% in Public Rural Telephony, in spite of a more competitive environment and the substitution effect from the mobile services.

As for the performance of the businesses, **Local Telephony** revenues for 2Q08 reached S/. 350 millions, decreasing 10,4% over 2Q07. This reduction can be chiefly explained by the 22,9% lower income from interconnection traffic (to other mobile and fixed operators) due to the mobile substitution effect and lower interconnection mobiles rates. Similar performance was shown in the 6M08 that reached S/. 719 millions, 8,8% lower than the 6M07 as a result of lower revenues in interconnection traffic with other operators (-16,8%) and lower revenues from monthly rent (-5,6%) due to the 1,6% reduction of plant in service when compared to the previous year, reaching 2 369 010 accesses in 2Q08.

Long Distance revenues dropped 26,2% in the 2Q08 when compared to the 2Q07, reaching S/. 77 millions. The lower National long distance revenues (-33,5%) and international long distance (-16,5%) are mainly explained by the pre-selection effect and the strong pre-paid cards competition. In regards of the cumulative results, a drop of 22,7% was drawn as 6M08 revenues reached S/. 156 millions. The 29,7% lower revenues in NLD and 13,5% in ILD are explained by the effects previously mentioned.

On the other hand, **Public and Rural Telephony** which include the revenues for public telephony in urban and rural areas, reached S/.114 million in the 2Q08, 31,6% lower than those recorded in the 2Q07. The reduction is mainly due to the informal phone booths growth and the more competitive environment. The 6M08 revenues reached S/. 231 millions, 36,6% lower than the recorded in 6M07. This drop occurred despite the 6,5% y-o-y climb of the plant in service, reaching 152 468 in the urban area and 6 535 in the rural area by 2Q08.

Regarding the **Subscription TV** business, revenues totalled S/.112 million in the 2Q08, a 3,9% y-o-y increase. Likewise, the 6M08 increased 8,2% when compared to 6M07 reaching S/. 224 millions. This increase is explained by the 12,6% y-o-y accesses number increase, reaching 654 thousands by the end of June 2008, as a result of the new commercial models (multi-products packages), and the loyalty campaign from the DUNA operation.

Also, **Internet** revenues reached S/.197 millions in 2Q08, a 20,2% increase over 2Q07. The 6M08 revenues totalled S/. 388 millions, 22,8% higher than those recorded in the 6M07. This increase is chiefly explained by an 18,7% growth in broadband plant that reached 626 thousand accesses. It is worth to mention that the plant growth has been supported by several promotional campaigns that the company has developed during 2008, highlighting the commercialization of "Trios" and "Duos", which represented 5% of the total internet revenues. In addition the launch of the Speedy's new speeds ladder (which incorporates speeds of up to 2.5MB) since November 2007 contributed to the above mentioned results.

Last revenues from **Data and Information Technology** reached S/.73 million in the 2Q08, 2,1% above the 2Q07 and S/. 143 millions in 6M08, which represents a 2,5% increase from 6M07. These results are chiefly explained by the execution of important projects in Managed Telephony, Selling of Central Stations and Information technology projects.

Operating Expenses

Operating expenses in 2Q08 decreased 2,4% compared to 2Q07, reaching S/.913 million, which represents a drop of S/.22 million, fundamentally due to lower expenses in depreciation and amortization expenses for S/.15 million, interconnection and carrier settlements expenses for S/.20 million, general and administrative expenses for S/.5 millions and personnel for S/.3 million. These expense reductions were partially offset by the increase of S/.14 million of provisions, S/.10 million of supply expenses, personnel expenses and other net financial expenses for S/.4 million.

The cumulative expenses in 6M08 decreased 1,7% compared to 6M07, reaching S/.1 838 million, which represents a drop of S/. 31 million, as a result of lower expenses in interconnection and carrier settlements expenses for S/. 58 million and depreciation and amortization expenses for S/.45 million, which were partially offset by the higher expenses in provisions for S/.41 millions, personnel expenses for S/.15 millions, supply expenses for S/.13 million, general and administrative for S/.4 million and other net financial expenses for S/.4 millions mainly.

Operating Result

Operating result in 2Q08 reached S/.108 million, which represents a reduction of 39.8% compared to 2T07, and totalled S/.218 million in 6M08, 39,3% lower than the 6M07, as a result of the lower revenues for S/.173 millions and higher expense provisions, personnel and supplies.

Non operating Result

In the 2Q08, the non operating result increased in S/.2 million compared to 2Q07 due to the higher participation in net results of related parts (S/.18 millions) and the positive impact of the exchange rate (S/. 12 millions).

In the 6M08, the non operating result showed a S/. 24 million loss increase compared to the recorded in the 6M07 due to higher net financial expenses (S/. 51 millions).

Net Result

The net result reached S/.34 million in 2Q08, compared to S/.63 million in 2Q07 due to the lower operating result. Likewise the net result in the 6M08 reached S/. 56 millions compared to S/. 144 million recorded in the 6M07.

Consolidated Balance Sheet

The current assets reached S/.1 671 million at the end of 2Q08, which represented an increase of S/.351 million compared to 1Q08. In addition the current liabilities increased in S/.58 million, due to the increase of accounts payable. Consequently, at the end of 2Q08, the current liquidity ratio was 0,71, slightly higher than that observed in 1Q08 (0,58).

On the other hand, net fixed assets reached S/. 3 831 million in 2Q08, a reduction of S/. 98 million compared to 1Q08.

Last, total financial net debt reached S/. 3 390 millions in 2Q08, a drop of S/. 133 million, when compared to the previous quarter. Finally, Shareholders' Equity increased S/.38 million when compared to 1Q08, reaching S/.3 044 million in 2Q08.

CHART 1
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS IN NUEVOS SOLES (000) AS OF JUNE 30th, 2008
(Prepared in Accordance with Peruvian GAAP)

	2Q07	2Q08	2Q08-2Q07	Var. % 2Q08-2Q07	6M07	6M08	Var. Abs. 6M08-6M07	Var. % 6M08-6M07
	%	%	%	%	%	%	%	%
Total Operating Revenues	1,114,078	1,020,864	(93,214)	(8.4)	2,228,523	2,055,893	(172,630)	(7.7)
Local Telephone service	390,535	350,062	(40,473)	(10.4)	788,324	719,030	(69,294)	(8.8)
Public Telephones	167,027	114,300	(52,727)	(31.6)	364,356	231,164	(133,192)	(36.6)
Internet	163,666	196,755	33,089	20.2	318,058	388,384	70,326	22.1
Subscription TV	107,642	111,793	4,151	3.9	206,748	223,791	17,043	8.2
Long Distance	104,234	76,901	(27,333)	(26.2)	202,057	156,121	(45,936)	(22.7)
Business Communications	71,407	72,884	1,477	2.1	139,851	143,374	3,523	2.5
Others	109,567	98,169	(11,398)	(10.4)	209,129	194,029	(15,100)	(7.2)
Total Operating Cost and Expenses	934,977	912,985	(21,992)	(2.4)	1,869,011	1,837,677	(31,334)	(1.7)
Interconnection Expenses	154,425	134,024	(20,401)	(13.2)	323,727	265,657	(58,070)	(17.9)
Personnel	115,415	112,519	(2,896)	(2.5)	223,627	238,170	14,543	6.5
General and Administrative	299,018	294,057	(4,961)	(1.7)	592,654	596,667	4,013	0.7
Depreciation and Amortization	287,152	256,748	(30,404)	(10.6)	573,997	528,788	(45,209)	(7.9)
Management Fee	13,297	21,905	8,608	64.7	26,451	21,905	(4,546)	(17.2)
Materials and Supplies	31,850	42,131	10,281	32.3	55,138	68,408	13,270	24.1
Provisions	13,212	27,401	14,189	107.4	26,424	67,237	40,813	154.5
Others Net	20,608	24,200	3,592	17.4	46,993	50,845	3,852	8.2
Operating Income	179,101	107,879	(71,222)	(39.8)	359,512	218,216	(141,296)	(39.3)
Operating income before other revenues and expenses net	199,709	132,079	(67,630)	(33.9)	406,505	269,061	(137,444)	(33.8)
Interest Income	14,149	6,887	(7,262)	(51.3)	22,964	11,526	(11,438)	(49.8)
Interest Expenses	(47,810)	(68,341)	(20,531)	42.9	(92,869)	(132,895)	(40,026)	43.1
Exchange Gain (Loss)	(6,888)	4,981	11,869	n.a.	(11,822)	(10,521)	1,301	(11.0)
Participation of affiliates results	3,166	20,802	17,636	557.0	4,819	31,109	26,290	545.5
Non Operating Results	(37,383)	(35,671)	1,712	(4.6)	(76,908)	(100,781)	(23,873)	31.0
Income before Taxes and Participations	141,718	72,208	(69,510)	(49.0)	282,604	117,435	(165,169)	(58.4)
Worker's Participation	(20,985)	(10,005)	10,980	(52.3)	(37,045)	(16,641)	20,404	(55.1)
Income tax	(57,489)	(28,377)	29,112	(50.6)	(101,270)	(45,242)	56,028	(55.3)
Net Income	63,244	33,826	(29,418)	(46.5)	144,289	55,552	(88,737)	(61.5)

CHART 2
TELEFONICA DEL PERU S.A.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET IN NUEVOS SOLES (000) AS OF JUNE 30th, 2008
(Prepared in Accordance with Peruvian GAAP)

		LIABILITIES AND SHAREHOLDERS' EQUITY									
Assets		2Q08	1Q08	4Q07	3Q07	2Q07	2Q08	1Q08	4Q07	3Q07	2Q07
CURRENT ASSETS											
Cash and Banks		546,071	222,462	392,026	579,242	420,408	4,788	5,345	10,619	22,331	12,190
Accounts receivable-Net		793,826	784,711	823,149	912,209	807,370	511,296	503,572	630,491	586,323	603,292
Affiliated company loans		-	-	-	339,350	346,370	35,532	35,753	39,677	23,622	24,644
Accounts receivable - Affiliated company		26,736	21,119	22,556	19,018	24,877	758,538	758,965	1,129,398	684,769	672,634
Other Accounts receivable		82,136	97,422	84,206	74,698	46,902	410,491	337,763	436,059	173,049	176,854
Materials and Supplies		222,228	194,735	82,867	80,141	83,643	98,270	169,374	128,858	126,701	68,992
Total Current Assets		1,670,997	1,320,449	1,404,804	2,004,658	1,731,570	280,852	216,799	208,753	286,633	261,287
PASIVO CORRIENTE											
Overdrafts							4,788	5,345	10,619	22,331	12,190
Accounts payable							511,296	503,572	630,491	586,323	603,292
Accounts payable - Affiliated company							35,532	35,753	39,677	23,622	24,644
Other Accounts payable							758,538	758,965	1,129,398	684,769	672,634
Bank Loans 1/							410,491	337,763	436,059	173,049	176,854
Commercial Papers1/							98,270	169,374	128,858	126,701	68,992
Current portion of Bonds1/							245,874	260,151	112,950	128,392	122,078
Current portion of Long-term Debt 1/							280,852	216,799	208,753	286,633	261,287
Total Current Liabilities		2,345,641	2,287,722	2,696,805	2,031,820	1,941,971					
BONDS 1/											
Other Accounts Receivable- Long term		2,656	2,723	1,506	-	-	2,031,750	1,852,308	1,891,653	1,574,246	1,576,645
LONG-TERM INVESTMENTS											
LONG-TERM DEBT 1/		1,549,242	1,528,139	1,517,506	18,161	15,738	868,857	909,023	784,021	491,812	473,912
DEFERRED CHARGES											
DEFERRED CHARGES		63,144	61,458	54,584	58,206	65,822	53,770	60,998	60,396	63,131	62,630
PROPERTY, PLANT											
Accumulated Depreciation		16,822,246	16,729,739	16,674,187	16,717,215	16,586,590	644,343	652,695	627,295	890,626	942,038
PROPERTY, PLANT		(12,981,813)	(12,777,065)	(12,560,879)	(12,455,900)	(12,229,189)	45,681	38,210	40,236	40,531	35,713
SHAREHOLDERS EQUITY											
Capital Stock		3,840,433	3,952,674	4,113,308	4,261,315	4,357,401	2,590,787	2,590,787	2,591,451	2,591,451	2,591,451
Additional Capital							4,964	4,964	4,964	4,964	4,964
Legal Reserve		(9,800)	(23,654)	(23,654)	(23,654)	(23,654)	80,773	76,206	76,206	76,206	76,206
Freely distributable reserves		3,830,633	3,929,020	4,089,654	4,237,661	4,333,747	249,407	249,407	249,407	249,407	249,407
Other reserves							8,351	8,624	10,969	4,944	444
Retained Earnings							109,263	75,437	54,190	348,874	290,129
NET INTANGIBLE ASSETS		1,916,915	1,964,592	2,019,539	2,049,326	2,098,633	3,043,545	3,005,425	2,987,187	3,275,846	3,212,601
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY											
TOTAL ASSETS		9,033,587	8,806,381	9,087,593	8,368,012	8,245,510	9,033,587	8,806,381	9,087,593	8,368,012	8,245,510

1/ They include the passive net position of financial derivatives instruments.

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

	2Q07	3Q07	4Q07	1Q08	2Q08	Var. Abs 2Q08-2Q07	2Q08/ 2Q07
FIXED TELEPHONY							
Lines Installed	2,700,519	2,702,707	2,708,119	2,710,893	2,707,635	7,116	0.3
Lines in Service (1)	2,563,020	2,558,085	2,558,947	2,551,986	2,549,559	(13,461)	(0.5)
Lines in Service per Employee (Telefónica del Perú) (2) (8)	646	625	608	652	622	(24)	(3.7)
Accesos en Servicio por 100 habitantes (%)	9.2	9.1	9.1	9.1	9.1	(0)	(1.1)
BASIC TELEPHONY							
Lines in Service	2,407,571	2,391,920	2,389,099	2,377,653	2,369,010	(38,561)	(1.6)
PUBLIC TELEPHONES							
Lines in Service (3)	149,286	154,583	152,463	154,357	159,003	9,717	6.5
BROADBAND							
Lines in Service (4)	527,399	555,423	571,587	593,626	626,039	98,640	18.7
SUBSCRIPTION TV							
Lines in Service (5)	580,569	611,566	632,422	633,962	653,724	73,155	12.6
TRAFFIC							
Local Traffic- Minutes (000) (6)	1,154,636	1,105,993	1,082,547	976,777	822,639	(331,947)	(28.7)
Long Distance- Minutes (000) (7)	350,984	374,019	373,948	372,501	372,934	21,950	6.3
NUMBER OF EMPLOYEES							
Telefónica del Perú (2) (8)	3,970	4,091	4,206	3,915	4,102	132	3.3
Telefónica del Perú and Subsidiaries (9)	5,388	5,644	5,780	5,262	5,492	104	1.9

(1) It includes Basic, Public and Rural Telephony, without Cellular phones

(2) Since August 2007 a transfer of Corporate areas from Telefonica del Perú to Telefónica Móviles was implemented. (Fixed-Mobile Convergence Project)

(3) It includes Fixed and Mobile Public Telephony, Fixed and Mobile Rural Telephony.

(4) It includes Residential Speedy, Speedy Business, Giga ADSL and Cablenet and optical fiber accesses.

(5) It includes invoiced Fixed-Fixed Traffic (voice and internet), Mobile-Fixed and Fixed-Mobile.

(6) It does not include prepaid cards, includes plans of minutes in packets.

(7) On August 2007, Móviles personnel is transferred to TdP (Fixed-Mobile Convergence Project) and in February and March 2008, the personnel that join the Voluntary Retirement Program is recorded.

(8) On July 2007, the subsidiary TSDigitales hire personnel from outsourcing companies (Legal Norms) and on August 2007, personnel from Telefónica Móviles is transferred to Telefonica del Perú (Fixed-Mobile Convergence Project). On the other hand, on February and March 2008, the personnel that join the Voluntary Retirement Program is recorded.

(9) In July 07, the affiliate TSDigitales incorporates cooperative personnel to its payroll (Legal norms) and in August 07 and June 08, Móviles personnel is translated to TdP (Fixed-Mobile Convergence Project).