

Telefónica

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

July – September 2008

Significant Events

A summary containing the most significant events since July 2008 is presented below:

1. On July 24th, the board of directors decided to approve:
 - The individual and consolidate financial statements (non audited) related to the third quarter of 2008.
 - The Ernst & Young SRL designation as auditor for 2008 exercise.
 - The regulation of the Board of directors and committees, which regulates the functions of each unit and the rights and obligations of its members.
 - The acceptance of the resignation of the Finance Director, Fermín Álvarez Carril, and designated Andrés Simons, in the position since August 1st 2008.
 - The society's organic structure.
2. On September 8th, it was agreed the purchase of the total stocks of Star Global Com S.A. from Peru Global Com S.A., owner of the 71.29% and United Peru Inc , owner of the 28.71% remained.
3. On September 10th, the purchase of the property stocks from Perú Global Com S.A was closed, incorporating it to Telefonica Group.
4. On September 30th, Media Networks Peru S.A.C. and Servicios Editoriales el Perú S.A.C approved the merger project by which the first one absorbs the second one, whose legal personality extinguished in October 1st 2008. On the other hand, Telefónica Multimedia S.A.C. and Media Networks Perú S.A.C. approved the split project, where all the related assets and liabilities were separated from the TV wholesale business, analogic and digital headers, satellite "uplink" and data processing. Finally, the Board of Telefónica Media Networks Perú S.A.C. approved to adopt the firm name of Media Networks Latin America S.A.C.

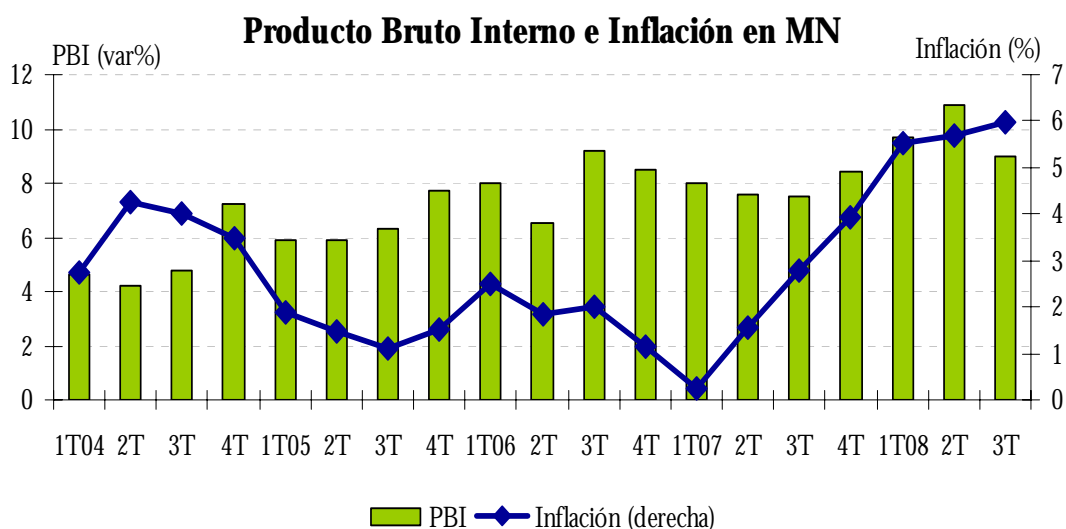
Discussion and Analysis of the first Quarter results ended on September 30, 2008.

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 second quarter 2008 growing 10,9% compared 2Q07. In 3Q08 this rhythm has raised up to 9,0%, according to official estimates. The advance of the activity is led by labor-intensive sectors, such as construction, non-primary manufacturing and commerce. This explains the growth of employment in businesses of 10 to more employees in the peruvian urban sector, of 9,6%, between May and July. On the expenditure side, in the third quarter of 2008, the evolution of private consumption shows a growth rate close to 8.0%, which its believed that would continue doubling the average rate observed between 2000 and 2006, maintaining the strong momentum of the internal demand.

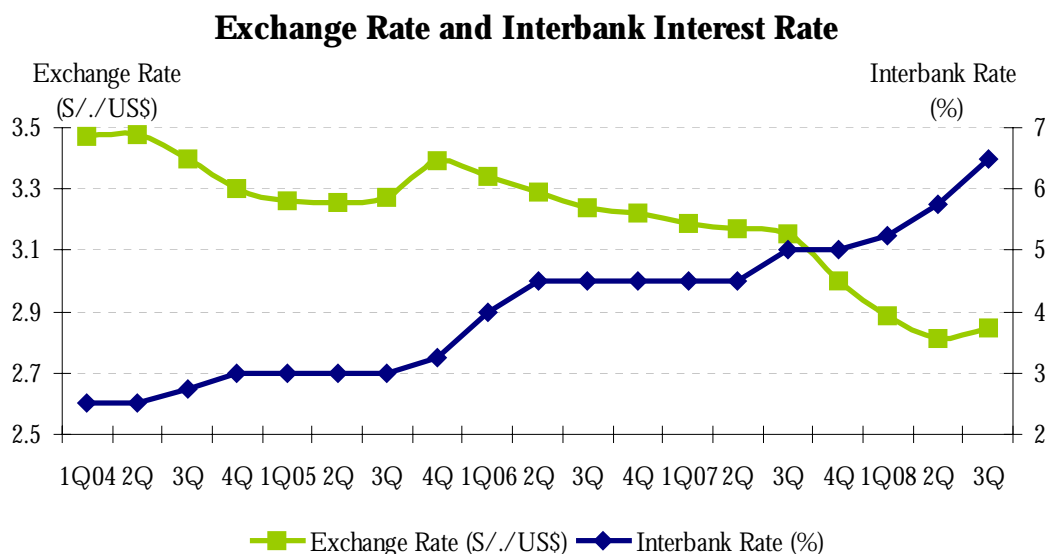
On the other hand, the Consumer Price Index (CPI) evolution was less positive than expected by the market and the monetary authority. The persistency of supply and demand shocks that affected the quotes of the main food and energy commodities in the international market has effects in the internal price level, taking September's inflation to 6, 2% in annualized terms, with a monthly average closed at 0, 6% in the first months of the year.



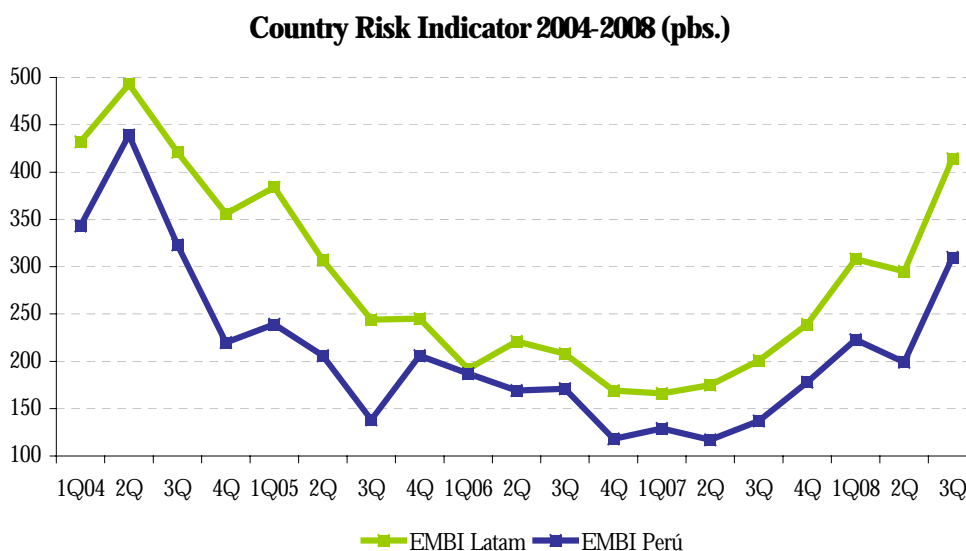
Regarding the exchange rate in the third quarter of 2008, it was observed a behaviour of a weakening new sol. Firstly, the measures decided by the Reserve Bank of Peru (BCRP) in the second quarter of 2008, focused on reducing the liquidity reduction of soles in the system. Secondly, due to liquidating positions in new soles of non-resident investors, leaving the domestic market as a result of the global financial crisis. Thus, between June and September, the new sol depreciated by 2,5% in terms of the monthly average exchange rate. This situation prevented the BCRP undertake larger interventions in the market, limiting to sell U.S. \$ 1 695 million in September to avoid sharp fluctuations in the currency. With this, the Net International Reserves (NIR) closed the third quarter of the year at U.S. \$ 34 702 million, 2.3% lower than those of the previous quarter.

The high volatility of financial markets, as a result of the uncertainty about the extent of the solvency crisis in the credit markets, as well as the progress of the U.S. and European Union economies and the impact of this slowdown in the rest of the world, continued reducing profitability in the local market. Thus the general Index of the Lima Stock Exchange (IGBVL) fell 31,0% in 3Q08, after falling 6.3% the last trimester. Interest rates suffered significant fluctuations

due to the combination of monetary policy measures and low liquidity episodes in foreign and local currency. The reference interest rate, closed third quarter in 6,5%, after BCRP's board of directors decision to increase it's level to 6,25%.



Peru's country risk, measured by JP Morgan's Emerging Markets Bond Index (EMBI+), increased 111 points reaching 310 points in third quarter 2008, slightly below the increase suffered by the same indicator for the set of countries of the region, that increased 119 points. The EMBI+ deterioration, explained by emerging markets risk aversion due to the financial crisis, becomes more evident if it's considered that between September 2007 and June 2008 when the country risk just increased 62 points.



Competitive Environment

The third quarter has started with two significant events: the franchise of B, D and E frequency band and the launch of pre-paid subscription TV.

In July 2008, América Móvil obtained the B frequency Band of 800 Mghz which allows to broaden its coverage, access to 3G technology and offer wireless fixed telephony. Likewise, by the same month, MTC¹ authorized that company to offer fixed telephony services nationwide, for which they would use wireless technology based on GSM. By the other hand, by obtaining the D and E frequency band, Nextel would offer cell phones and packages to compete directly with Telefónica Móviles and América Móvil.

Similarly, Telefónica announced by September the launch of "Evolución Cable Mágico", process that aims to increase their supply value by adding more channels and improve its service. Equally, Direct TV launched its pre-paid Digital Subscription TV which allows to access low-income home, while Telmex incorporated new channels to its offer.

Its important to point out that both Internet and Subscription TV businesses are being directly strengthened by the incorporation of 19 thousand accesses from Star Global Com (13 thousand subscription TV accesses and 6 thousand internet accesses), purchased by Telefónica del Perú S.A.A.

Operating Results

Operating Revenues

Operating Revenues for 3Q08 reached S/. 1 048 million, a 7,1% decrease over 3Q07. The higher income from Internet (+17, 9) and Data and Information Technology (+11, 6%), were not offset by the lower revenues in Public and Rural Telephony (-31,4%), Long Distance Telephony (-25,1%) and Local Telephony (-9.3%).

By the other hand, Operating revenues for 9M08 reached S/. 3 104 million, a 7.5% decrease over 9M07 due to the fact that the higher revenues in internet (+20,6%), Data and Information Technology (+5,6%), and Subscription TV (5,1%) were lower than the decrease of revenues in Public and Rural Telephony (-35,0%), Long Distance Telephony (-23,5%) and Local Telephony (-9.0%), and others (-7.6).

Telefonica del Perú S.A.A. continues to strengthen its commercial strategy based on market penetration through the offer of services to attend each market segment. Thus, at the end of 3Q08, the total number of accesses in service shows an annual growth for the last twelve months of (i) 20,4% in Broadband, fundamentally for the implementation of the new ladder of speeds-. (ii) 7,8% in Subscription TV with the incorporation of satellite technology (DTH) for those clients who live in remote places, and (iii) 4,2% in Public and Rural Telephony, as a result of the increase in traffic due to the implemented campaigns that reduced the effect of substitution of its service for the mobile telephony.

As for the performance of the businesses, **Local Telephony** revenues for 3Q08 reached S/. 352 millions, decreasing 9,3% over 3Q07. This reduction can be explained by the lower revenues in interconnection traffic (from other mobile and fixed telephony operators) that shown a fall of 17,8% as an effect of the mobile substitution. Likewise, there were lower revenues in average fee which registered a 7,0% fall due to changes in the plant composite and lower revenues in invoiced traffic (-32.8%) caused by lower consumption per second – fall of 37,6% - and by the introduction of per second invoicing and flat fee. Similarly, behaviour is shown in the 9M08 which totalized S/. 1 071 millions, which represents a 9,0% reduction over 9M07, explained by the interconnection

¹ Ministerio de Transportes y Comunicaciones

traffic revenues (-17,2%) and average tariff revenues (-6,0%) due to the reduction of 1,6% in plant in service over the previous year.

Long Distance revenues dropped 25,1% in the 3Q08 over 3Q07, totalizing S/. 76 million. The lower revenues in national long distance (NLD) of 27,1% and international long distance (ILD) 22,7% are mainly explained by the pre-selection effect and the strong competence in pre-paid cards. Regarding cumulative results, there is a drop of 23,5% registering S/. 232 million in 9M08. The lower revenues in NLD of 28,9% and ILD of 16,7% are explained by the reasons above indicated.

On the other hand, **Public and Rural Telephony** revenues reached S/.105 million in the 3Q08, 31,4% lower than those recorded in the 3Q07. Meanwhile the revenues in 9M08 reached S/. 337 millions, 35,0% lower than the registered in the 9M07. The reduction is mainly due to the increase of informal telephone booths and the campaign of new mobile price plans. In that sense, it is important to highlight that nevertheless this price reduction reduces revenues , these campaigns boost the traffic recovery, showing the plant in service a y-o-y increase of 4,2%. By the end of the third quarter of 2008, it reached 153,291 lines in urban zone and 7,849 lines in the rural zone.

Regarding **Subscription TV** business, revenues totalled S/.115 million in the 3Q08, a 0,6% y-o-y decrease due to discounts offered in multiproducts packages. Meanwhile, in the 9M08 there is an increase of 5,1% over its corresponding period of the previous year, reaching S/. 339 million. This increase is explained by the 7,8% y-o-y climb of accesses reached by the end of September 2008 until 659 thousand accesses, due to new commercial models (multiproduct packages) and new policies in the Billing and Collection Direction, as the incorporation of 13 thousand accesses from Star Global Com , explained above.

Internet revenues totalled S/.208 millions in 3Q08, a 17,9% increase over 3Q07. This increase is chiefly explained by a 20,4% growth in broadband plant that reaches 669 thousand accesses. It is worth to mention that since September 2008, it includes 6 thousand accesses from Star Global Com. Likewise, revenues in the 9M08 reached S/. 596 millions, 20,6% higher than the 9M07.

Revenues from **Data and Information Technology** reached S/.82 million in the 3Q08, 11,6% higher over the 3Q07 and S/. 225 millions in the 9M08, which represents a 5,6% increase over 9M07. These results are chiefly explained by the execution of important projects in Managed Telephony, Selling of Central Stations and TI projects.

Operating Expenses

Operating expenses in 3Q08 decreased 3,5%, reaching S/.924 million, which represents a drop of S/.33 million, fundamentally due to a decrease in depreciation and amortization expenses for S/.30 million, general and administrative costs for S/. 11 millions, personnel expenses for S/.10 million and interconnection expenses for 2 million. These expense reductions were partially offset by the increase of S/.13 million of other income and expenses, S/.6 million of materials and supplies and S/. 4 million of provisions.

The accumulated results in the 9M08 were reduced in 2,3% over the 9M07, reaching S/. 2 761 millions, which represents a S/. 65 millions drop , mainly due to lower expenses in depreciation for S/. 75 millions, interconnection expenses for S/. 60 millions and general and administrative costs for S/. 7 millions, which were offset by the increase of S/. 44 millions in provisions, S/. 19 millions in other income and expenses , S/. 17 millions in material and supplies, and S/. 5 millions in personnel expenses.

Operating Result

Operating result in 3Q08 reached S/. 124 million, which represents a reduction of 27,4% compare to 3Q07, and increase to S/. 343 million in 9M08, 35,5% less compare to 9M07, mainly as a consequence of lower incomes

Non-Operating Result

In the 3Q08, the non-operating result improved in S/.11 million over the 3Q07, mainly due to the increased participation of participation of affiliates in Results (S /. 22 million) and to the positive effect of foreign currency translation (S /. 15 million).

In 9M08, the non-operating loss shows an increase of S /. 13 million with respect to 9M07, mainly due to higher net financial expenses (S /. 62 million) as a result of higher acquired financial debt, as well as higher market interest rates.

Net Results

The net results reached S/. 41 million in 3Q08, over S/. 59 million of 3Q07. In cumulative terms, net results also decreased in S/. 107 million, reaching S/.96 millions. Such reduction is explained by the lower operating result.

Consolidate Balance Sheet

The current asset registered at the end of 3Q08 was S/. 1 577 million. Such amount represents a decrease of S/. 94 millions over 2Q08. Likewise, current liabilities reduction was S/. 38 million, due to the decrease in commercial papers. Thus, the liquidity level at the end of 3Q8, measured by the current assets over current liabilities ratio, reached 0,68, over 0,71 in 2Q08.

On the other hand, the net asset in 3Q08 reached S/. 3 817 million, a decrease of S/. 23 million over 2Q08.

By the other hand , total debt reached S/. 3 365 million, a drop in S/ 26 million over 2Q08. Finally, the shareholder's equity increased S/. 42 million over 2Q08, reaching S/. 3 086 million.

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

	3Q07		3Q08		Var. Abs. 3Q08-3Q07		Var. % 3Q08-3Q07		9M07		9M08		Var. Abs. 9M08-9M07		Var. % 9M08-9M07	
		%		%		%		%		%		%		%		%
Total Operating Revenues	1,128,330	100.0	1,047,924	100.0	(80,406)	(7.1)	3,356,853	100.0	3,103,817	100.0	(253,036)	(7.5)				
Local Telephone service	387,941	34.4	351,890	33.6	(36,051)	(9.3)	1,176,265	35.0	1,070,920	34.5	(105,345)	(9.0)				
Public Telephones	153,685	13.6	105,451	10.1	(48,234)	(31.4)	518,041	15.4	336,615	10.8	(181,426)	(35.0)				
Internet	176,391	15.6	207,919	19.8	31,528	17.9	494,449	14.7	596,303	19.2	101,854	20.6				
Subscription TV	115,477	10.2	114,730	10.9	(747)	(0.6)	322,225	9.6	338,521	10.9	16,296	5.1				
Long Distance	101,027	9.0	75,702	7.2	(25,325)	(25.1)	303,084	9.0	231,823	7.5	(71,261)	(23.5)				
Business Communications	73,053	6.5	81,558	7.8	8,505	11.6	212,904	6.3	224,932	7.2	12,028	5.6				
Others	120,756	10.7	110,674	10.6	(10,082)	(8.3)	329,885	9.8	304,703	9.8	(25,182)	(7.6)				
Total Operating Cost and Expenses	957,013	84.8	923,562	88.1	(33,451)	(3.5)	2,826,024	84.2	2,761,239	89.0	(64,785)	(2.3)				
Interconnection Expenses	145,825	12.9	143,860	13.7	(1,965)	(1.3)	469,552	14.0	409,517	13.2	(60,035)	(12.8)				
Personnel	112,778	10.0	103,265	9.9	(9,513)	(8.4)	336,405	10.0	341,435	11.0	5,030	1.5				
General and Administrative	321,856	28.5	310,636	29.6	(11,220)	(3.5)	914,510	27.2	907,303	29.2	(7,207)	(0.8)				
Depreciation and Amortization	280,826	24.9	251,238	24.0	(29,588)	(10.5)	854,823	25.5	780,026	25.1	(74,797)	(8.7)				
Management Fee	12,992	1.2	9,173	0.9	(3,819)	(29.4)	39,443	1.2	31,078	1.0	(8,365)	(21.2)				
Materials and Supplies	35,323	3.1	41,109	3.9	5,786	16.4	90,461	2.7	109,517	3.5	19,056	21.1				
Provisions	22,103	2.0	25,635	2.4	3,532	16.0	48,527	1.4	92,872	3.0	44,345	91.4				
Others Net	25,310	2.2	38,646	3.7	13,336	52.7	72,303	2.2	89,491	2.9	17,188	23.8				
Operating Income	171,317	15.2	124,362	11.9	(46,955)	(27.4)	530,829	15.8	342,578	11.0	(188,251)	(35.5)				
Operating income before other revenues and expenses net	196,627	17.4	163,008	15.6	(33,619)	(17.1)	603,132	18.0	432,069	13.9	(171,063)	(28.4)				
Interest Income	12,562	1.1	8,827	0.8	(3,735)	(29.7)	35,526	1.1	20,353	0.7	(15,173)	(42.7)				
Interest Expenses	(49,314)	(4.4)	(71,530)	(6.8)	(22,216)	45.1	(142,183)	(4.2)	(204,425)	(6.6)	(62,242)	43.8				
Exchange Gain (Loss)	(13,618)	(1.2)	1,262	0.1	14,880	(109.3)	(25,440)	(0.8)	(9,259)	(0.3)	16,181	(63.6)				
Participation of affiliates results	2,846	0.3	25,181	2.4	22,335	784.8	7,665	0.2	56,290	1.8	48,625	634.4				
Non Operating Results	(47,524)	(4.2)	(36,260)	(3.5)	11,264	(23.7)	(124,432)	(3.7)	(137,041)	(4.4)	(12,609)	10.1				
Income before Taxes and Participations	123,793	11.0	88,102	8.4	(35,691)	(28.8)	406,397	12.1	205,537	6.6	(200,860)	(49.4)				
Worker's Participation	(16,972)	(1.5)	(12,316)	(1.2)	4,656	(27.4)	(54,017)	(1.6)	(28,957)	(0.9)	25,060	(46.4)				
Income tax	(48,076)	(4.3)	(34,950)	(3.3)	13,126	(27.3)	(149,346)	(4.4)	(80,192)	(2.6)	69,154	(46.3)				
Net Income	58,745	5.2	40,836	3.9	(17,909)	(30.5)	203,034	6.0	96,388	3.1	(106,646)	(52.5)				

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

ACTIVO						LIABILITIES AND SHAREHOLDERS' EQUITY					
	3Q08	2Q08	1Q08	4Q07	3Q07		3Q08	2Q08	1Q08	4Q07	3Q07
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and Banks	396,004	546,071	222,462	392,026	579,242	Overdrafts	9,178	4,788	5,345	10,619	22,331
Accounts receivable-Net	853,264	793,826	784,711	823,149	912,209	Accounts payable	530,875	511,296	503,572	630,491	586,323
Affiliated company loans	2,135	-	-	-	339,350	Accounts payable - Affiliated company	-	35,532	35,753	39,677	23,622
Accounts receivable - Affiliated company	28,344	26,736	21,119	22,556	19,018	Other Accounts payable	823,482	758,538	758,965	1,129,398	684,769
Other Accounts receivable	82,390	82,136	97,422	84,206	74,698	Bank Loans ^{1/}	272,173	410,491	337,763	436,059	173,049
Materials and Supplies	215,062	222,228	194,735	82,867	80,141	Commercial Papers ^{1/}	39,258	98,270	169,374	128,858	126,701
Prepaid taxes and expenses and others						Current portion of Bonds ^{1/}	251,866	245,874	260,151	112,950	128,392
Total Current Assets	1,577,199	1,670,997	1,320,449	1,404,804	2,004,658	Current portion of Long-term Debt ^{1/}	381,201	280,852	216,799	208,753	286,633
						Total Current Liabilities	2,308,033	2,345,641	2,287,722	2,696,805	2,031,820
Other Accounts Receivable- Long term	2,677	2,656	2,723	1,506	-	BONDS ^{1/}	2,011,211	2,031,750	1,852,308	1,891,653	1,574,246
LONG-TERM INVESTMENTS	1,574,105	1,549,242	1,528,139	1,517,506	18,161	LONG-TERM DEBT ^{1/}	804,822	868,857	909,023	784,021	491,812
DEFERRED CHARGES	61,340	63,144	61,458	54,584	58,206	GUARANTY DEPOSITS AND OTHERS	54,991	53,770	60,998	60,396	63,131
PROPERTY, PLANT	17,017,533	16,822,246	16,729,739	16,674,187	16,717,215	DEFERRED LIABILITIES DUE TO INCOME TAXES AND WORKERS PARTICIPATION	590,301	644,343	652,695	627,295	890,626
Accumulated Depreciation	(13,200,491)	(12,981,813)	(12,777,065)	(12,560,879)	(12,455,900)	DEFERRED EARNINGS - NET	45,623	45,681	38,210	40,236	40,531
						SHAREHOLDERS EQUITY					
	3,817,042	3,840,433	3,952,674	4,113,308	4,261,315	Capital Stock	2,590,787	2,590,787	2,590,787	2,591,451	2,591,451
Write-off Provision 2/	(31,373)	(9,800)	(23,654)	(23,654)	(23,654)	Additional Capital	4,964	4,964	4,964	4,964	4,964
	3,785,669	3,830,633	3,929,020	4,089,654	4,237,661	Legal Reserve	80,773	80,773	76,206	76,206	76,206
NET INTANGIBLE ASSETS	1,899,579	1,916,915	1,964,592	2,019,539	2,049,326	Freely distributable reserves	249,407	249,407	249,407	249,407	249,407
						Other reserves	9,558	8,351	8,624	10,969	4,944
TOTAL ASSETS	8,900,569	9,033,587	8,806,381	9,087,593	8,368,012	Retained Earnings	150,099	109,263	75,437	54,190	348,874
						TOTAL SHAREHOLDERS' EQUITY	3,085,588	3,043,545	3,005,425	2,987,187	3,275,846
						TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,900,569	9,033,587	8,806,381	9,087,593	8,368,012

1/ They include the pasive net position of financial derivatives instruments

2/ It incorporates the Star Global provision for S/.22M.

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

	3Q07	4Q07	1Q08	2Q08	3Q08	Var. Abs 3Q08 -3Q07	3Q08/ 3TQ07
FIXED TELEPHONY							
Lines Installed	2,702,707	2,708,119	2,710,893	2,707,635	2,707,699	4,992	0.2
Lines in Service (1)	2,558,085	2,558,947	2,551,986	2,549,559	2,535,338	(22,747)	(0.9)
Lines in Service per Employee (Telefónica del Perú) (2) (8)	625	608	652	622	614	(11)	(1.8)
Lines in Service per 100 inhabitants (%)	9.1	9.1	9.1	9.1	9.0	(0.1)	(1.1)
BASIC TELEPHONY							
Lines in Service	2,391,920	2,389,099	2,377,653	2,369,010	2,352,987	(38,933)	(1.6)
PUBLIC TELEPHONES							
Lines in Service (3)	154,583	152,463	154,357	159,003	161,140	6,557	4.2
BROADBAND							
Lines in Service (4)	555,423	571,587	593,626	626,039	668,951	113,528	20.4
SUBSCRIPTION TV							
Lines in Service (5)	611,566	632,422	633,962	653,724	659,182	47,616	7.8
TRAFFIC							
Local Traffic- Minutes (000) (6)	1,105,993	1,082,547	976,777	822,689	777,977	(328,016)	(29.7)
Long Distance- Minutes (000) (7)	374,019	373,948	372,500	372,934	336,587	(37,432)	(10.0)
NUMBER OF EMPLOYEES							
Telefónica del Perú (2) (8)	4,091	4,206	3,915	4,102	4,126	35	0.9
Telefónica del Perú and Subsidiaries (9)	5,644	5,780	5,262	5,492	5,694	50	0.9

(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. (Convergence Fixed-Mobile 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, as like 6 thousand accesses from Star Global Com.

(5) It includes Subscription TV, Satellite DTH TV, and 13 thousand acceses from Star Global Com. Likewise, for comparative use, the invoiced plant in service for satellite and DTH TV has been homologado

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

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

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

(9) On July 2007, the subsidiary TSDigitales hire personell from outsourcing companies 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 was recorded and 153 workers from Star Global Com were incorporated .